



ALASKA

NORTH TO OPPORTUNITY

ALASKA'S ECONOMIC REPORT TO THE
AIDEA BOARD OF DIRECTORS

SECOND QUARTER, 2018

PREPARED FOR





INTRODUCTION

On behalf of the Alaska Industrial Development Export Authority (AIDEA), the State of Alaska Department of Commerce, Community and Economic Development’s Division of Economic Development (DED) compiles this quarterly report to assist in the assessment of Alaska’s economic health and business climate.

Legacy economic trends like energy prices and overall cost of living are examined alongside emerging rural and urban trends, allowing for a comprehensive assessment of Alaska’s regional economic landscape. The data used in the AIDEA Economic Report is statistical information from state, federal, and private sector resources combined with anecdotal information collected from regional economic development and community organizations throughout the state. The combination of this data allows for a unique, realistic look at the economic drivers of Alaska’s economy from a statewide and regional perspective.

KEY FINDINGS

Commodity Prices: All oil prices tracked in this report rose. Alaska North Slope crude ended Q2 at \$74.75/barrel, its highest level since November 2014. The Japan LNG import price for June 2018 was not available; the price ended May 2018 at \$9.40/million British thermal units (MMBtu), just \$0.05 lower than March, while the Henry Hub spot price rose slightly after a spike in January and sharp dip in February. The average price of U.S. coal rose this quarter, continuing the price increase the commodity has been experiencing since fall 2016. Metals prices tracked in this report fell moderately. Zinc prices dipped this quarter by 5.76 percent. Copper, silver, and gold prices were all down moderately. Salmon prices for the beginning of 2018 were mixed compared to 2017, although the beginning of the year is a slow time for harvesting and processing.

Consumer Prices: Grocery prices were available for eight communities in the second quarter of 2018. The commodities in the price basket are one gallon of milk, one dozen eggs, a loaf of white bread, and a one gallon of gasoline. The average total for these commodities in the communities surveyed was \$14.28.

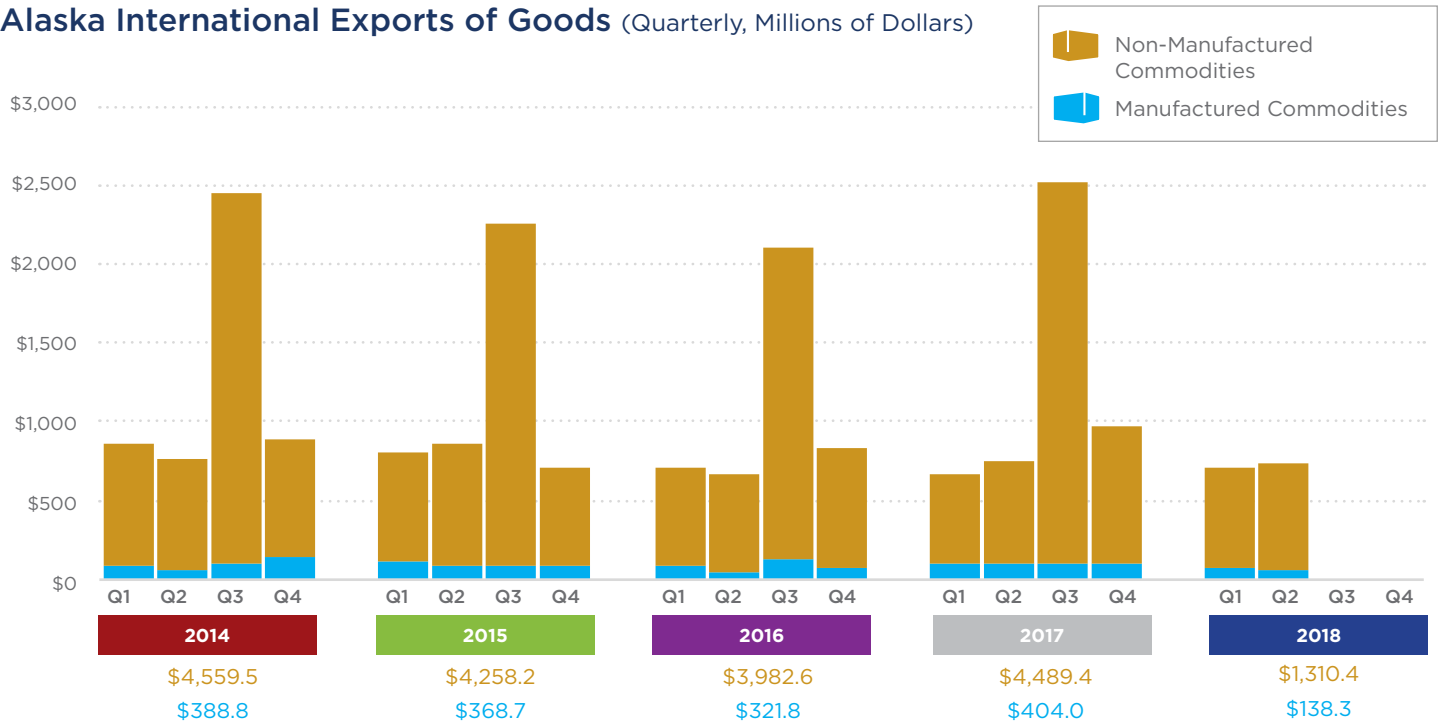
Employment: Alaska’s seasonally adjusted unemployment rate remained steady in the second quarter, at 7.2 percent. The state continues to have the highest unemployment rate in the nation, with a seasonally adjusted rate nearly 85 percent higher than the national average of 3.9 percent. Recent big box retail store closures have contributed to the state’s unemployment rate.

Freight and Cargo Transportation: Air cargo throughput at the Anchorage and Fairbanks airports continued to increase, with the highest second quarter total on record. Both incoming and outgoing maritime cargo totals were up over the same time period in 2017. The decline in railroad freight volume continued, while the number of passengers riding the rails was up in the second quarter. AICan border crossings were in line with the five year average.

EXPORT AND IMPORT VALUES

Sixty percent of Alaska's international exports in the second quarter of 2018 were fish and fish products. Another 17 percent of exports were metal ores, made up of gold, zinc, and lead. Just nine percent of Alaska's exports in the second quarter were manufactured goods.

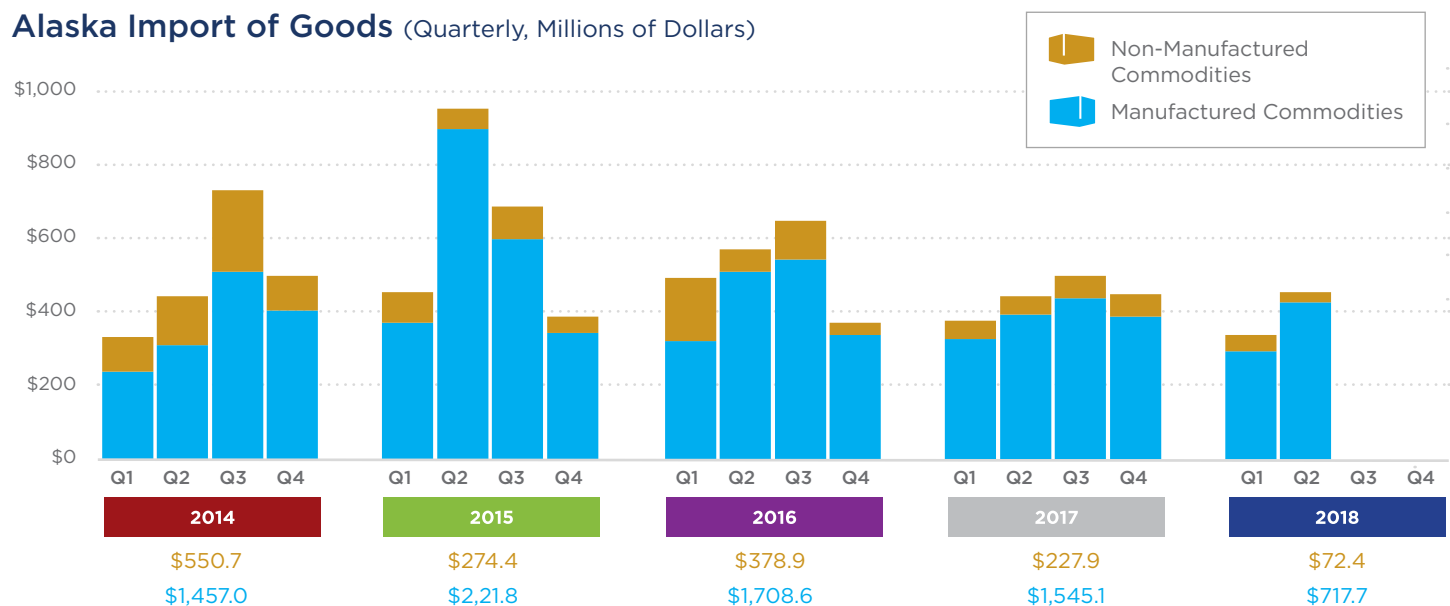
Alaska International Exports of Goods (Quarterly, Millions of Dollars)



Source: U.S. Census Bureau

While international imports fluctuate greatly from quarter to quarter, the overall volume of imports has been decreasing. The second quarter saw \$113 million more in imports to Alaska than the first quarter, but the total of \$451 million was still \$122 million below the five year average. More than half of the total imports were refined oil.

Alaska Import of Goods (Quarterly, Millions of Dollars)



Source: U.S. Census Bureau

CARGO TRAFFIC

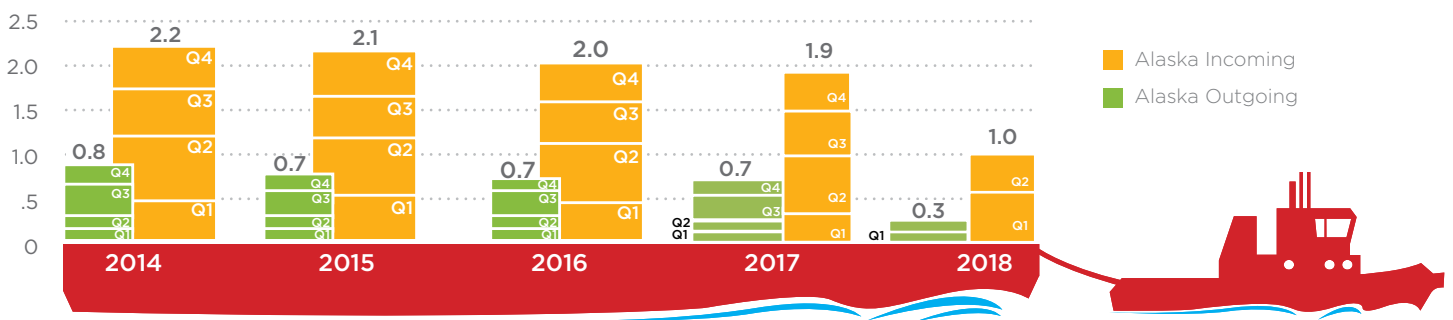
Nearly all cargo comes into the state via maritime shipping with smaller volumes arriving via air cargo and by truck over the Alaska-Canada (AlCan) Highway.

Maritime Cargo

Alaska maritime cargo trends can be shown by looking at the outbound and inbound tonnage at the two major ports serving Alaska: Seattle and Tacoma, Washington. Like international imports, incoming maritime cargo has declined in the last five years. While 2018 has seen higher levels of incoming cargo than 2017, the totals are still below the five year average. Incoming cargo totaled 575,690 metric tons in the second quarter. The second quarter average is over 600,000 metric tons. Outgoing maritime cargo is considerably higher than the same time last year, and is also above the five year average. Nearly 130,000 metric tons of maritime cargo left the state in the second quarter. The five year average for the same time period is 117,000.

Alaska Tonnage (Ports of Seattle and Tacoma)

(Millions of metric tons)



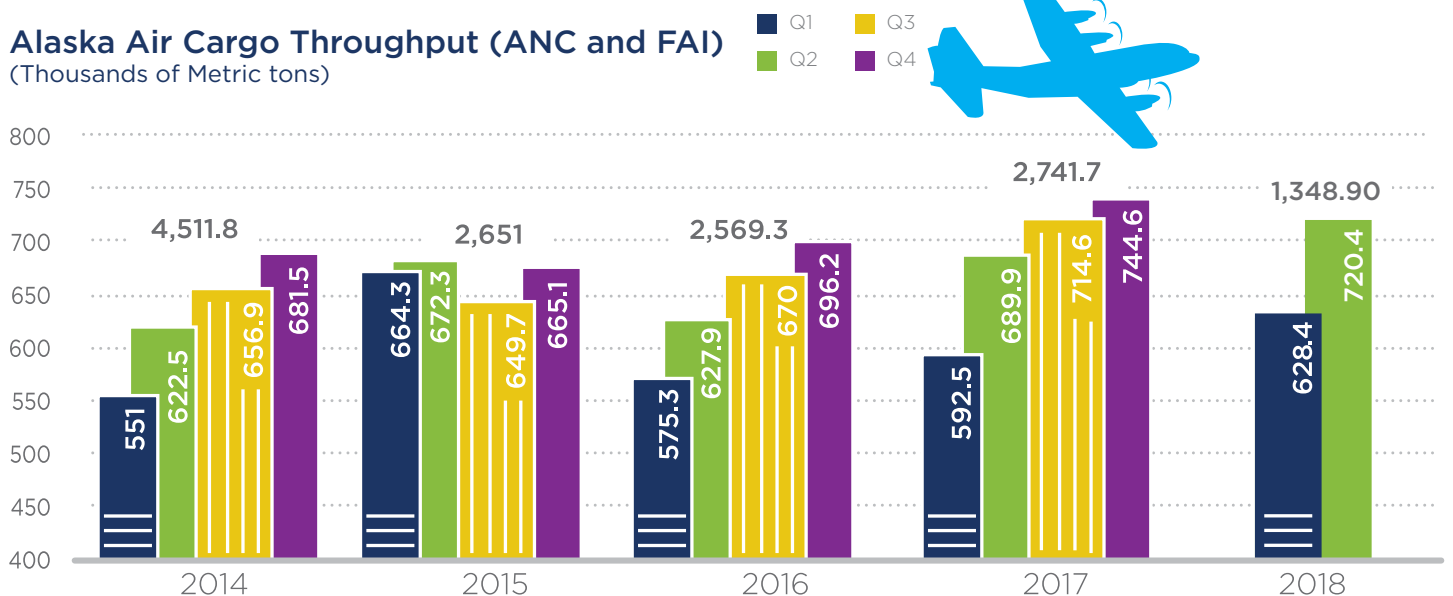
Source: Northwest Seaport Alliance

Alaska Air Cargo Throughput

Alaska's airports are a major component of the state's transportation system; air cargo throughput in Anchorage and Fairbanks are an effective measure of that activity. Cargo throughput at the two airports remained strong in the second quarter of 2018, reaching more than 720 thousand metric tons. More than 150 wide-body freighter aircraft pass through Ted Stevens International Airport every day.

Alaska Air Cargo Throughput (ANC and FAI)

(Thousands of Metric tons)

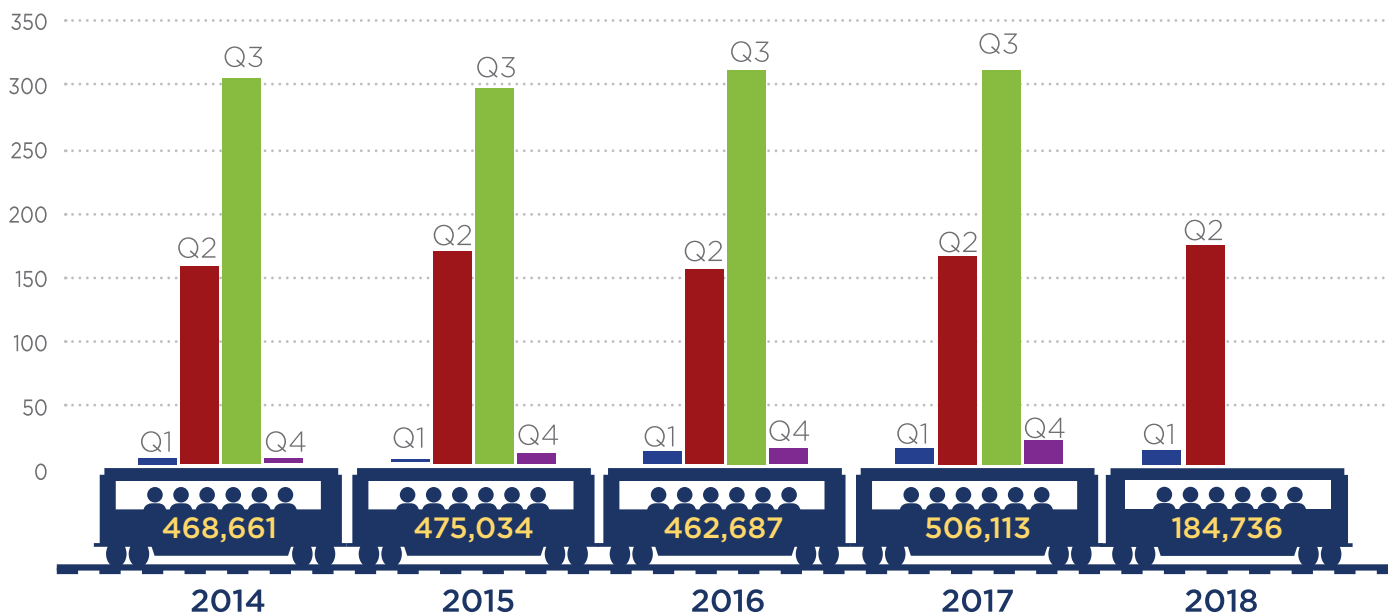


Source: Alaska Department of Transportation & Public Facilities

ALASKA RAILROAD STATISTICS

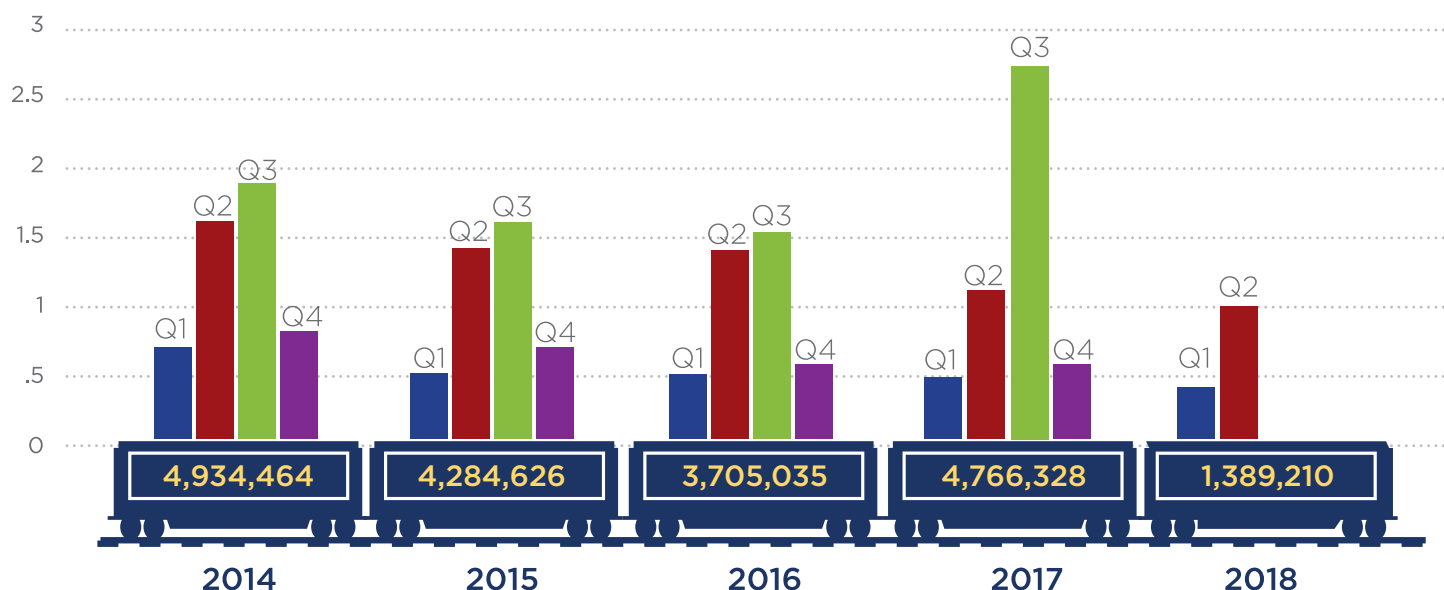
Second quarter freight tonnage on the Alaska Railroad declined for the fourth year in a row in 2018. The closure of the Flint Hills refinery in 2014 and declining coal exports from the Usibelli mine account for a significant portion of the decline, as well as fewer summer construction projects. Passenger volume has been increasing, and second quarter passenger numbers were the highest in 2018 than in any of the six years that DED has been collecting this information.

Alaska Railroad Passenger Volume (Thousands of passengers)



Source: Alaska Railroad Corporation

Alaska Railroad Freight Tonnage (Millions of tons)



Source: Alaska Railroad Corporation

ALCAN BORDER CROSSINGS - FREIGHT VEHICLES

Freight vehicles crossing the AICan border provide another measure of Alaska's transportation activity. Truck crossings also follow seasonal patterns. The second quarter typically sees the most truck crossings at the border. This year there were 1,893 trucks arriving in Alaska, a number very close to the five year average of 1,822.

Truck Crossings

(Number of Vehicles)



Source: Port of AICan, Office of Field Operations

COMMODITY PRICES

Natural Gas Price



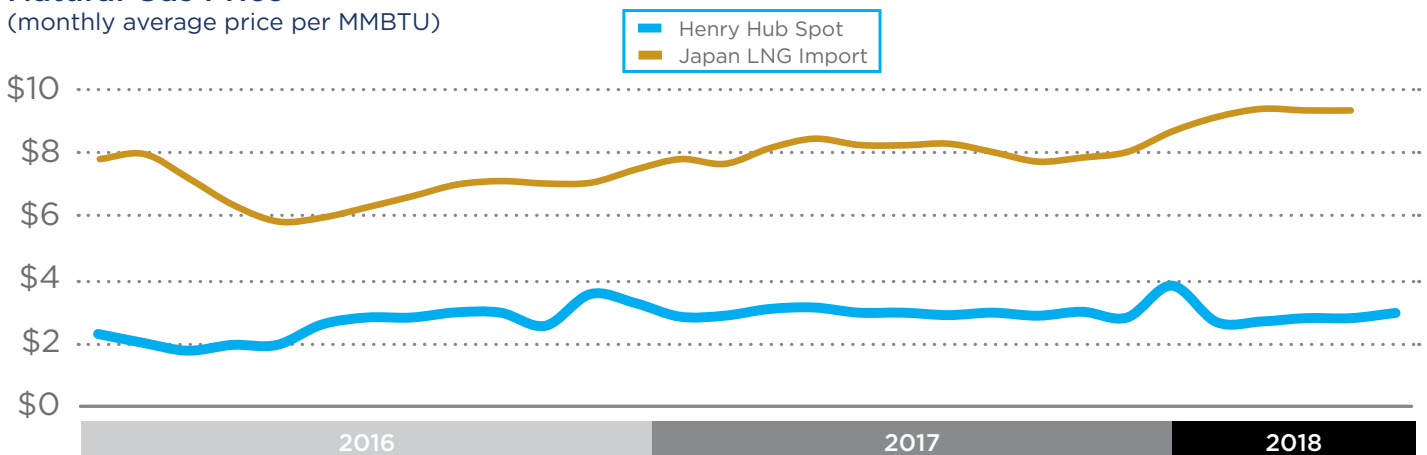
According to YCharts, the Japan liquefied natural gas (LNG) import price decreased slightly to \$9.40 per million British thermal units (MMBtu) in May (the June price is not yet available), down from \$9.45/MMBtu in March 2018. According to the EIA, the Henry Hub spot price increased slightly to \$2.97/MMBtu in June from \$2.69/MMBtu in March. Despite natural gas inventories falling below the 5-year average at the end of April, monthly average Henry Hub natural gas prices have remained below \$3/MMBtu since January 2018.

EIA estimates that natural gas production will average 81.3 billion cubic feet per day (Bcf/d) in 2018, an 11 percent increase from 2017 levels. In 2019, production is expected to rise by another 4 percent, averaging 84.5 Bcf/d for the year. The expected growth in natural gas production is largely in response to improved drilling efficiency and cost reductions, as well as higher crude oil prices that contribute to higher associated gas production from oil-directed rigs. Forecast natural gas production growth is supported by planned expansions in liquefied natural gas (LNG) and pipeline exports. The U.S. was a net exporter of natural gas in the first quarter of 2018, with net exports averaging 0.5 Bcf/d.

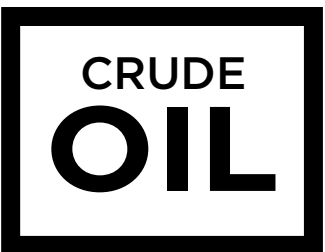
According to the EIA, industrial sector consumption of natural gas is forecast to increase by almost four percent in 2018 and then remain flat in 2019. Most of the increase in the forecast is attributable to new chemical projects expected to come online. Low natural gas prices in recent years have made it economical to increase the use of natural gas as feedstock in ammonia for nitrogenous fertilizer and methanol manufacturers.

Natural Gas Price

(monthly average price per MMBTU)



Sources: U.S. Energy Information Administration and YCharts. *June price data not yet available.



Oil Price

All oil prices tracked in this report rose this quarter. The U.S. Energy Information Administration (EIA) estimates that ongoing draws in U.S. and global oil inventories continued to put upward pressure on prices this quarter. EIA estimates that global petroleum and other liquid fuel inventories fell by an average of 0.2 million barrels per day (b/d) in the first half of 2018.

At the late June Organization of the Petroleum Exporting Countries (OPEC) meeting, producers announced they would increase oil supplies from the producer group, which had been capping output in order to balance the market and boost prices for the last 18 months. The agreement aimed to have producers no longer overshoot the production limits agreed to in November 2016 of 1.2 million barrels per day.

The West Texas Intermediate (WTI) crude price ended the second quarter at \$67.87 per barrel (/b), while Brent

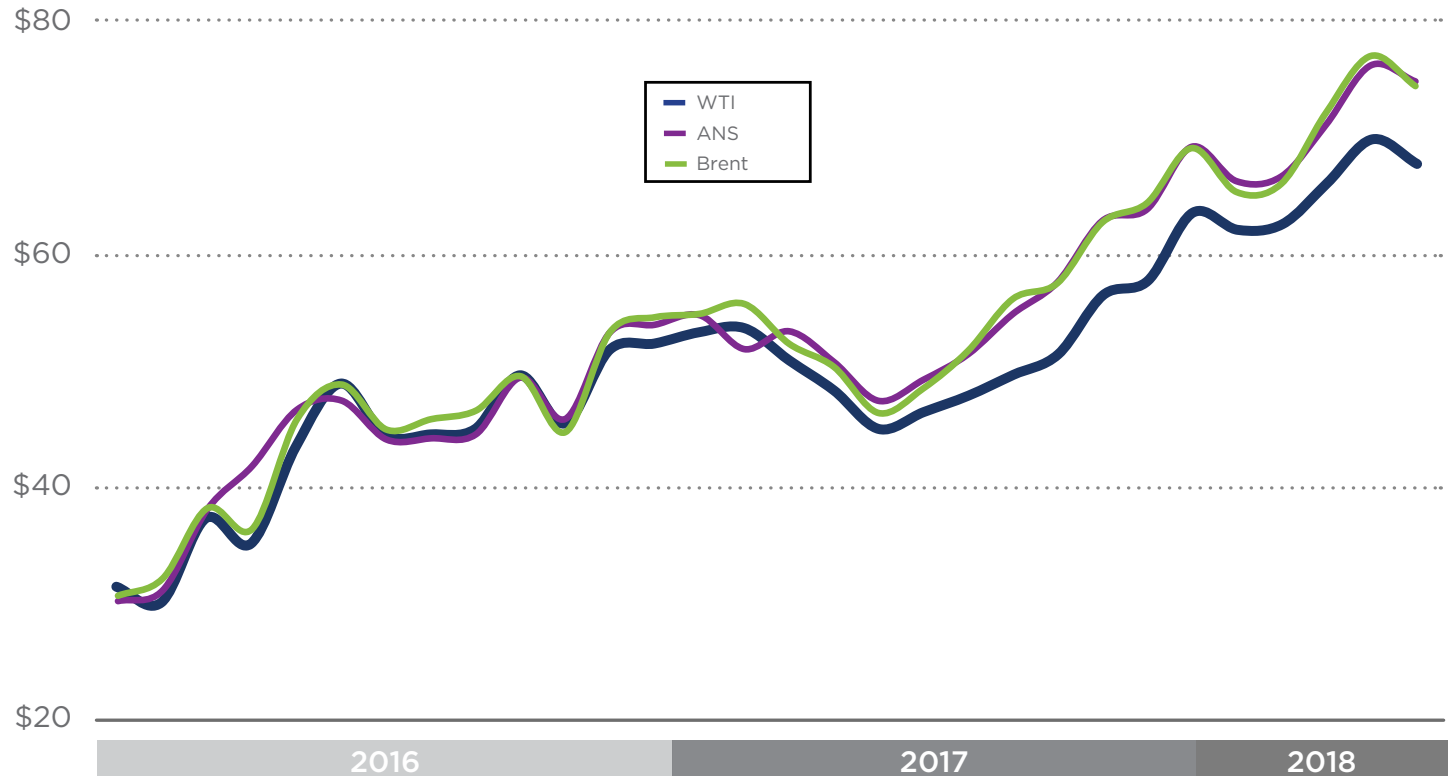
Oil Price, continued

crude settled at \$74.40/b. Alaska North Slope (ANS) crude ended the second quarter at \$74.75/b, its highest level since November 2014.

According to the EIA July 2018 Short-Term Energy Outlook (STEO), the WTI crude oil price will be \$65.95/b in 2018 and \$62.04/b in 2019. Brent crude are forecast to average \$71.80/b in 2018 and \$68.74/b in 2019.

Oil Price

(Monthly Average - Price Per Barrel)



Sources: U.S. Energy Information Administration and State of Alaska Department of Revenue Tax Division

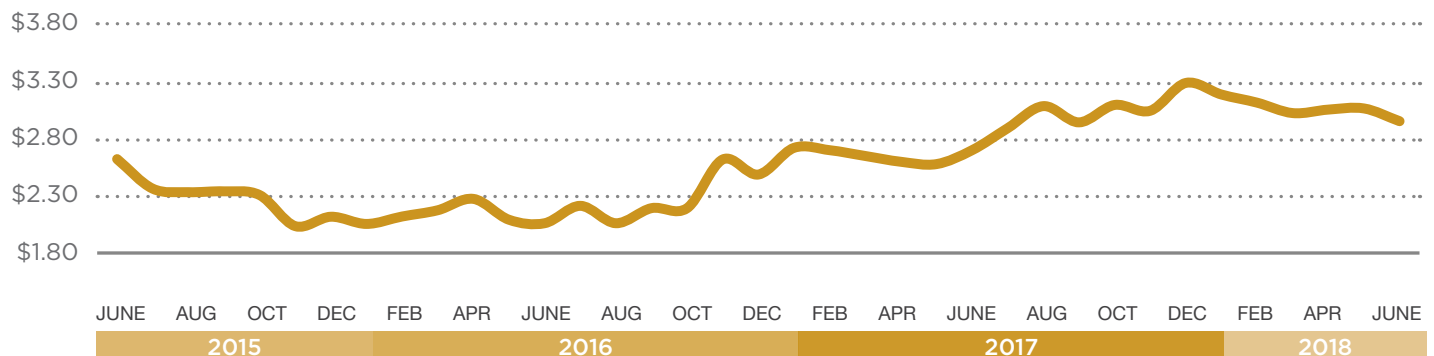
Metals

All metals prices tracked in this report dropped this quarter. Zinc prices fell by 5.76 percent, ending the quarter at \$3,091.21/ton this quarter after a high in February 2018 of \$3,539.35/ton. Copper, silver, and gold prices were all down moderately. A strong U.S. dollar, stagnant investor demand, geopolitical uncertainty, and a second Federal Reserve interest rate hike rattled gold and silver prices this quarter.



Copper Price

(Monthly Average - Price Per Pound)

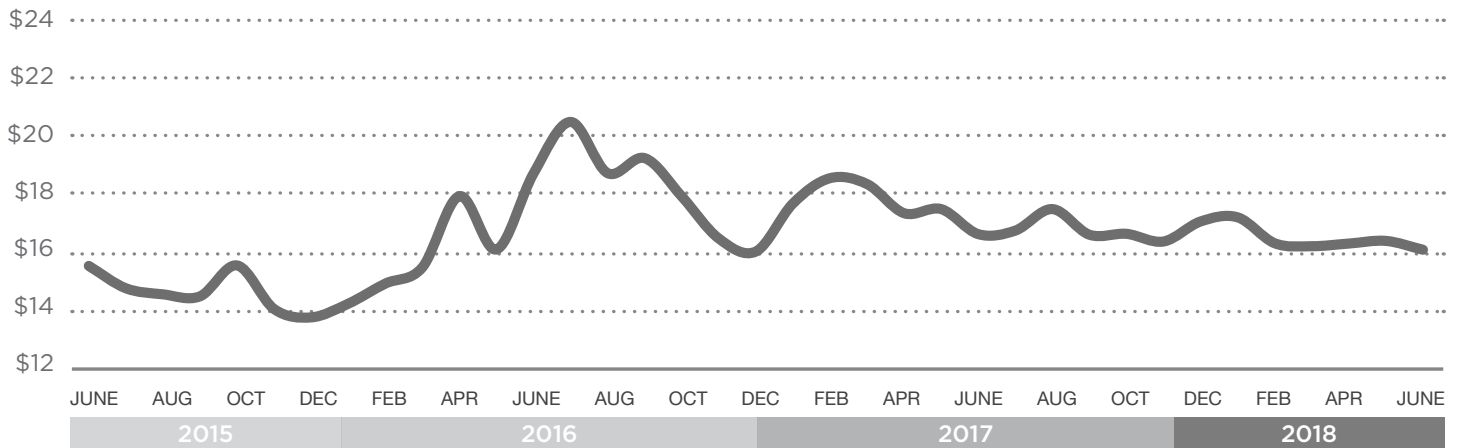


Source: Investing.com



Silver Price

(Monthly Average - Price Per Ounce)

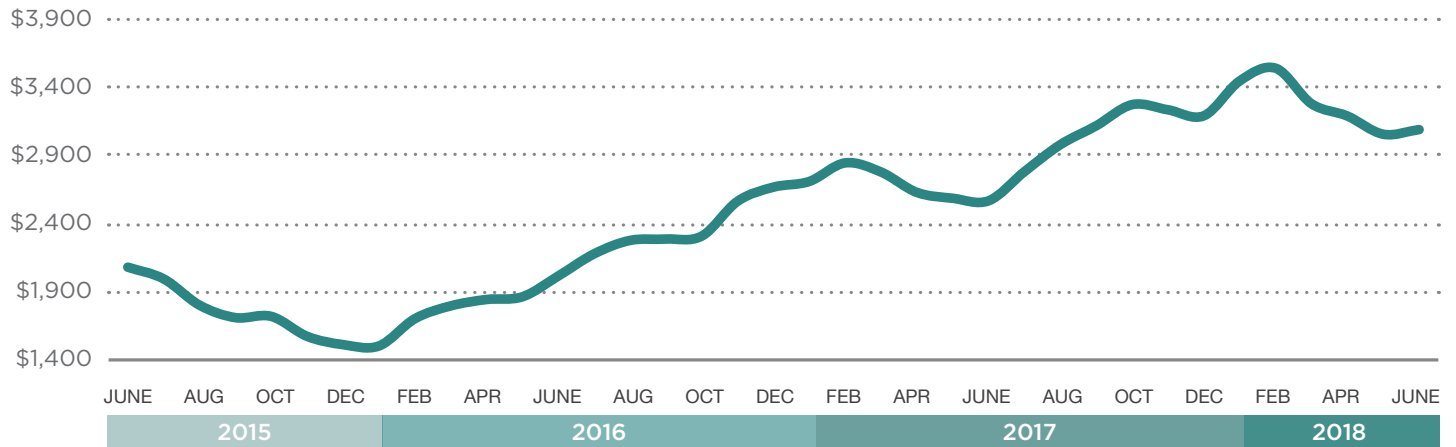


Source: Investing.com



Zinc Price

(Monthly Average - Price Per Ton)

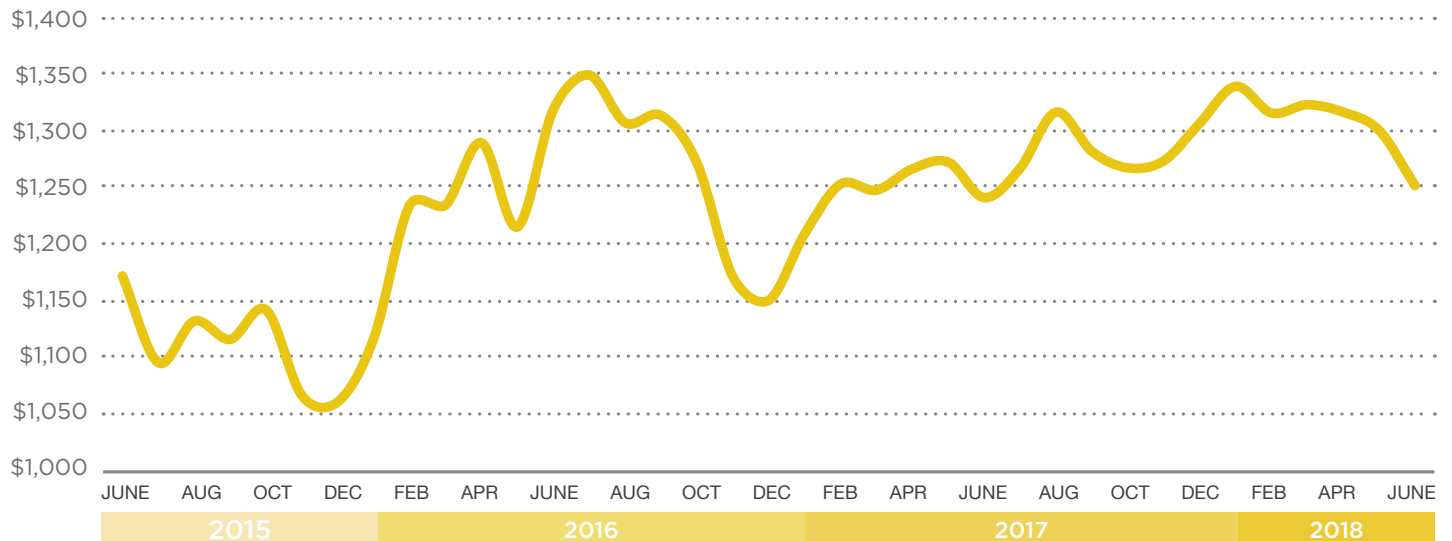


Source: Investing.com



Gold Price

(Monthly Average - Price Per Ounce)



Source: Investing.com

Coal Price



According to Quandl, the average price of U.S. coal continued the rise that began last fall, moving from \$39.44/short ton in March 2018 to \$40.18/short ton in June.

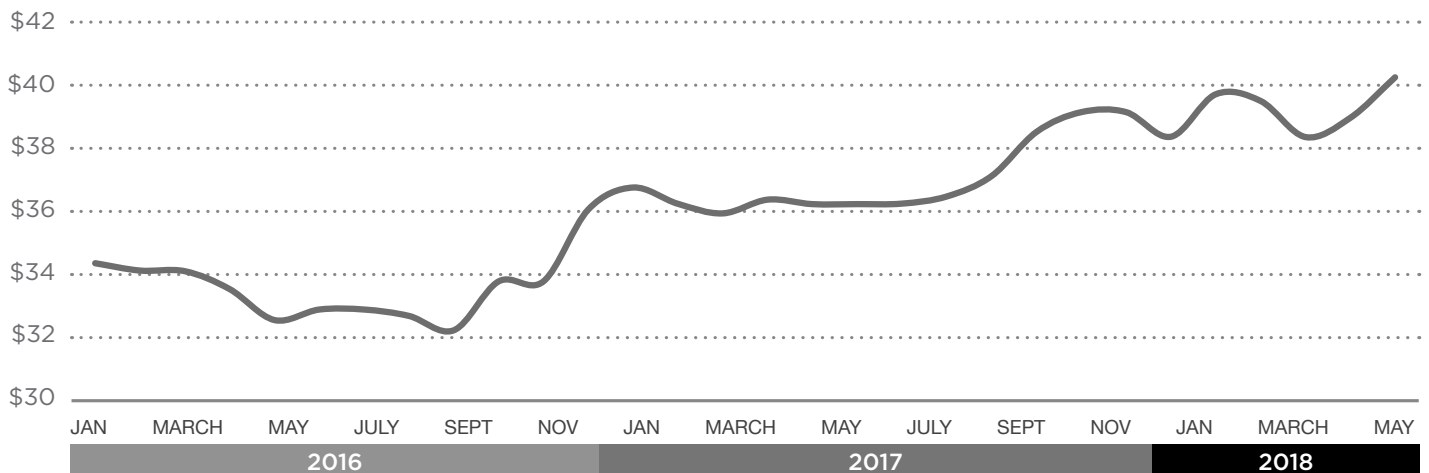
The EIA July 2018 STEO estimates that that coal production declined by 9 million short tons (MMst) (two percent) in the first half of 2018 compared with the same period in 2017, despite an increase in U.S. coal exports over the same period. Overall in 2018, U.S. coal production is expected to total 773 MMst, nearly unchanged from 2017 levels.

EIA estimates that coal consumption in the electric power sector for the first half of 2018 declined by 13 MMst (four percent) compared with the same period in 2017, despite increases in overall electricity generation. Coal consumption in the electric power sector is forecast to decrease by 24 MMst (four percent) for all of 2018 and by 30 MMst (five percent) in 2019. The decrease in power sector consumption reflects increased electricity generation from natural gas and renewable energy sources and the recent closure of coal-fired power plants.

According to the EIA, U.S. coal exports to Asia, particularly to India, remain strong. Exports to India for the first four months of 2018 were almost 7 MMst, up from 3 MMst in the first quarter of 2017. In 2016, exports to India for the whole year totaled 6 MMst.

Coal Price

(Monthly Average of Major Production Basins - Price per Short Ton)



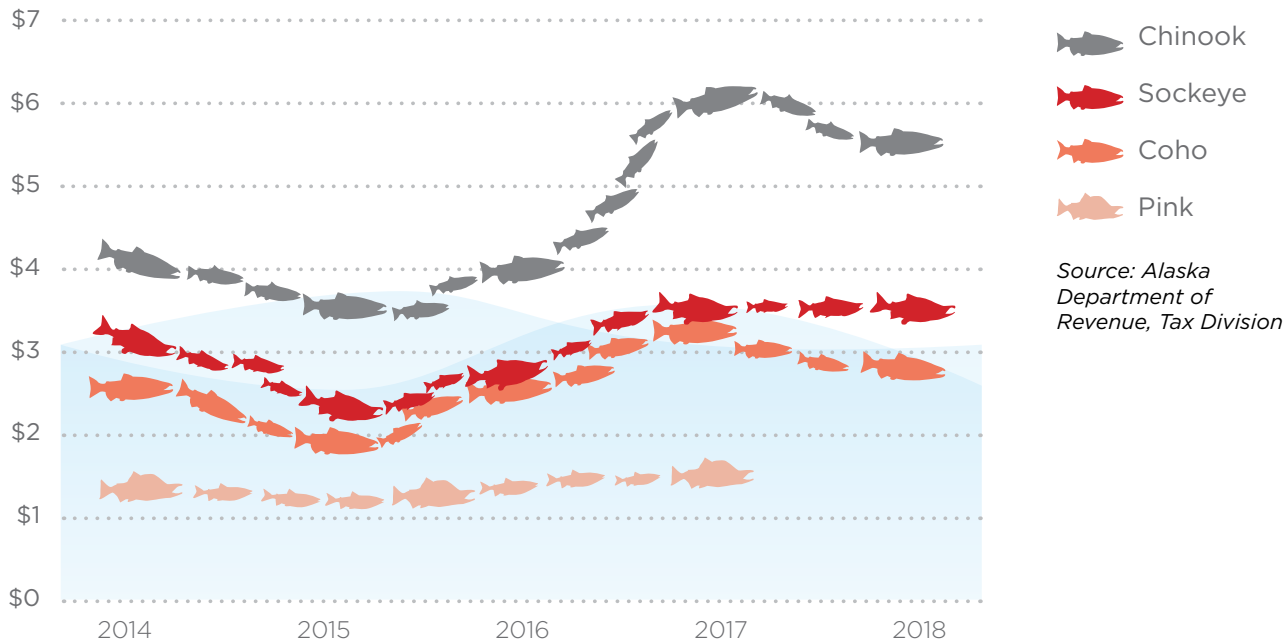
Source: Quandl

Alaska Salmon

Salmon price data is released three times per year by the Alaska Tax Division. The most recent data available are for January through April 2018. There is less fishing activity during the early months of the year, and in fact pink salmon prices for this period are not available due to confidentiality constraints based on the low number of processors processing the species. Prices for frozen headed and gutted chinook and coho salmon were slightly lower in the first four months of 2018 than they were in 2017 at \$5.54 per pound and \$2.89 per pound. The price of frozen headed and gutted sockeye was \$0.02 more in the first four months of 2018 than it was in 2017, reaching \$3.57 per pound.

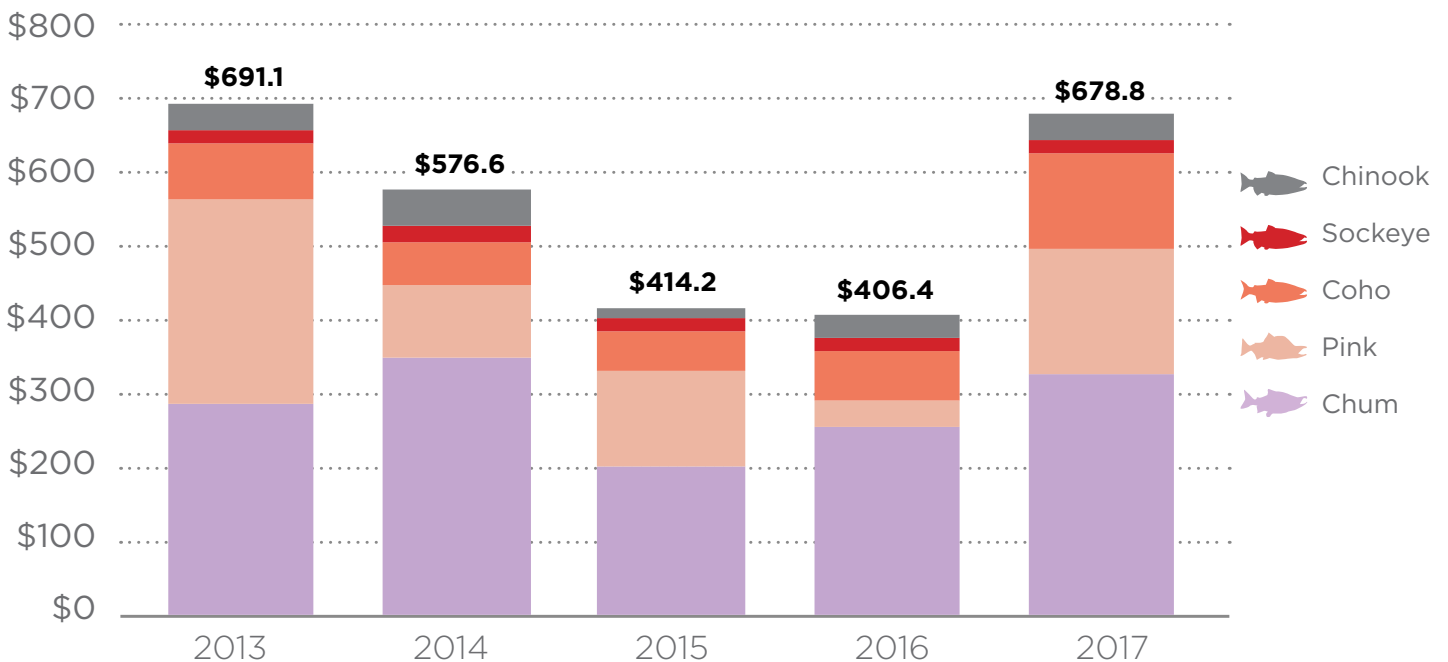
Alaska Salmon Prices

Headed, gutted, and frozen. Average wholesale price per pound.



Alaska Salmon Value

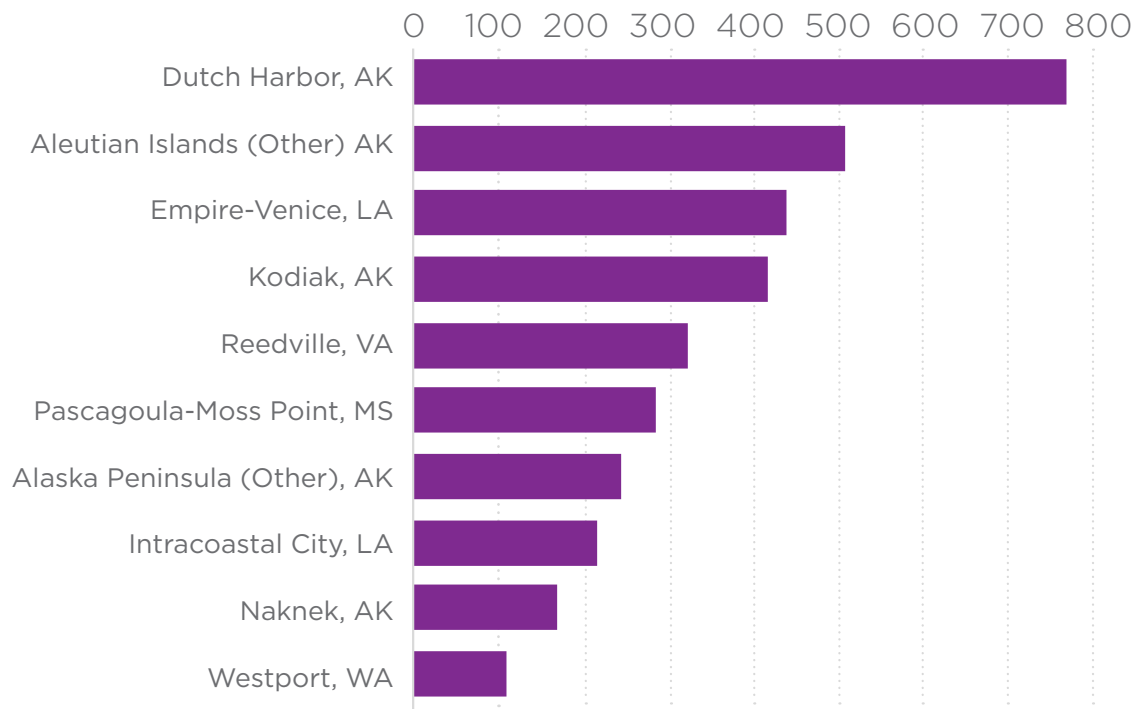
Statewide Total Exvessel Value - Millions of dollars
(Annually through October only)



Source: Alaska Department of Fish and Game; Annual data available for January - October only

Top Ten U.S. Fishery Ports by Pounds Landed

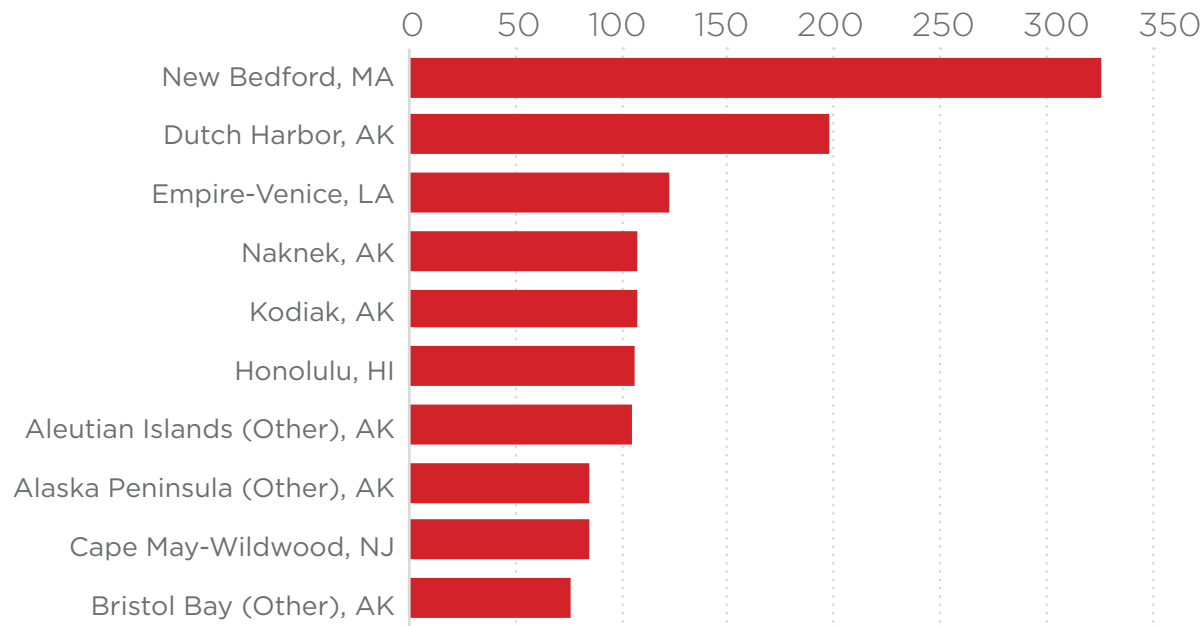
(2016 Value — Millions of Dollars)



Source: NOAA Fisheries Office of Science and Technology

Top Ten U.S. Fishery Ports by Value of Catch

(2016 Value — Millions of Dollars)



Source: NOAA Fisheries Office of Science and Technology

Commercial Fishing Statistics

Alaska ports made up half of the top ten U.S. fishing ports for seafood landings in 2016. Data for 2017 will not be available until later in the year. Dutch Harbor was the top port for the 20th year in a row, with 770 million pounds landed in 2016. New Bedford, Massachusetts was the top port by value, due to the highly valued sea

Commercial Fishing Statistics, Continued

scallop fishery. Other Alaska ports making the top 10 list for landings are the Aleutian Islands at No. 2, thanks to the Trident plant at Akutan, the largest seafood processing facility in the U.S. Kodiak dropped a spot to fourth place, followed by the Alaska Peninsula at No. 7 and Naknek at No. 9. Other Alaska ports making the top 50 ports for seafood landings and values are Ketchikan, Sitka, Bristol Bay, Petersburg, Seward, Cordova, Kenai and Juneau. Alaska led all states in seafood volumes at 5.6 billion pounds and values at \$1.6 billion.

GROSS DOMESTIC PRODUCT

According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), real gross domestic product (GDP) increased in every state and the District of Columbia in 2017 (the most recent data available). Real GDP growth is measured quarter-over-quarter, is seasonally adjusted, and annualized. In the fourth quarter of 2017, GDP growth ranged from 1.6 percent in South Dakota to 11.1 percent in Alaska. In 2017 annual data, Alaska ranked 47th in state GDP, dropping from 46th in 2016.

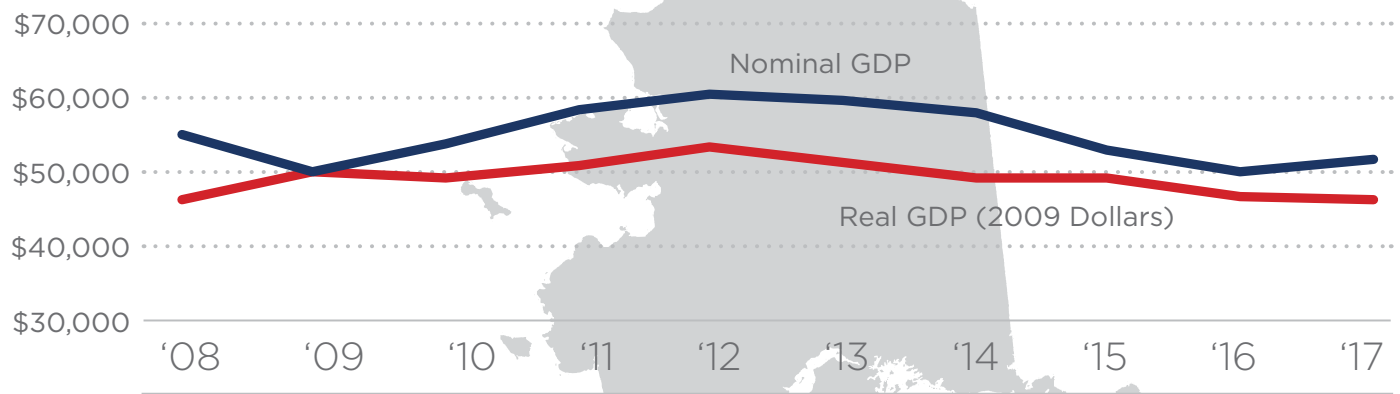
State GDP: Top 10 and Bottom 10 States - 2017

2017 Annual Total - Millions of Current Dollars

TOP TEN STATES			BOTTOM TEN STATES		
		GDP			GDP
1	California	\$2,370,731	42	Delaware	\$62,606
2	Texas	\$1,519,224	43	Idaho	\$62,151
3	New York	\$1,296,225	44	Maine	\$52,545
4	Florida	\$834,789	45	Rhode Island	\$50,924
5	Illinois	\$701,462	46	North Dakota	\$48,588
6	Pennsylvania	\$657,237	47	Alaska	\$46,509
7	Ohio	\$563,302	48	Montana	\$41,705
8	New Jersey	\$507,796	49	South Dakota	\$40,725
9	Georgia	\$475,718	50	Wyoming	\$35,925
10	North Carolina	\$459,664	51	Vermont	\$27,712

Source: U.S. Bureau of Economic Analysis

Alaska GDP: 10-Year Trend* (Millions of dollars)



Source: U.S. Bureau of Economic Analysis - 2017 data is preliminary and may change.

STATE ECONOMIC HIGHLIGHTS – SECOND QUARTER 2018

Statewide:

A report released by the Alaska Department of Labor and Workforce Development showed that although Alaska is in a recession, household debt in the state has not been significantly impacted. Mortgage debt was mostly flat between 2012 and 2017 in Alaska. Auto loan debt went up in recent years, but the increase was similar to other states, the report found. Student loan debt in the state has grown, but that's also been a national trend. The report attributed most changes in household debt in Alaska to national trends, rather than anything state-specific. One area where Alaska stands out is credit card debt, with the state having the highest per capita credit card debt of any state since 2003. DOL economists attribute this partly to the higher cost of living in the state and the ubiquity of Alaska Airlines mileage plan credit cards.

President Trump issued an executive order in May that revoked part of earlier Obama administration rule requiring outdoor companies with permits to operate on federal lands to pay workers higher wages. The rule would have required a minimum wage for seasonal backcountry guides, who technically are on duty 24 hours a day when they are leading trips. Advocates for the guides said the pay requirements were unworkable, as paying even a minimum wage for 24 hours a day for days at a time would be too costly for tour operators to sustain. The previous order was issued by President Obama in 2014, but because of the slow rollout of the rule, Alaska's tour operators had not yet been impacted. The new order was effective immediately.



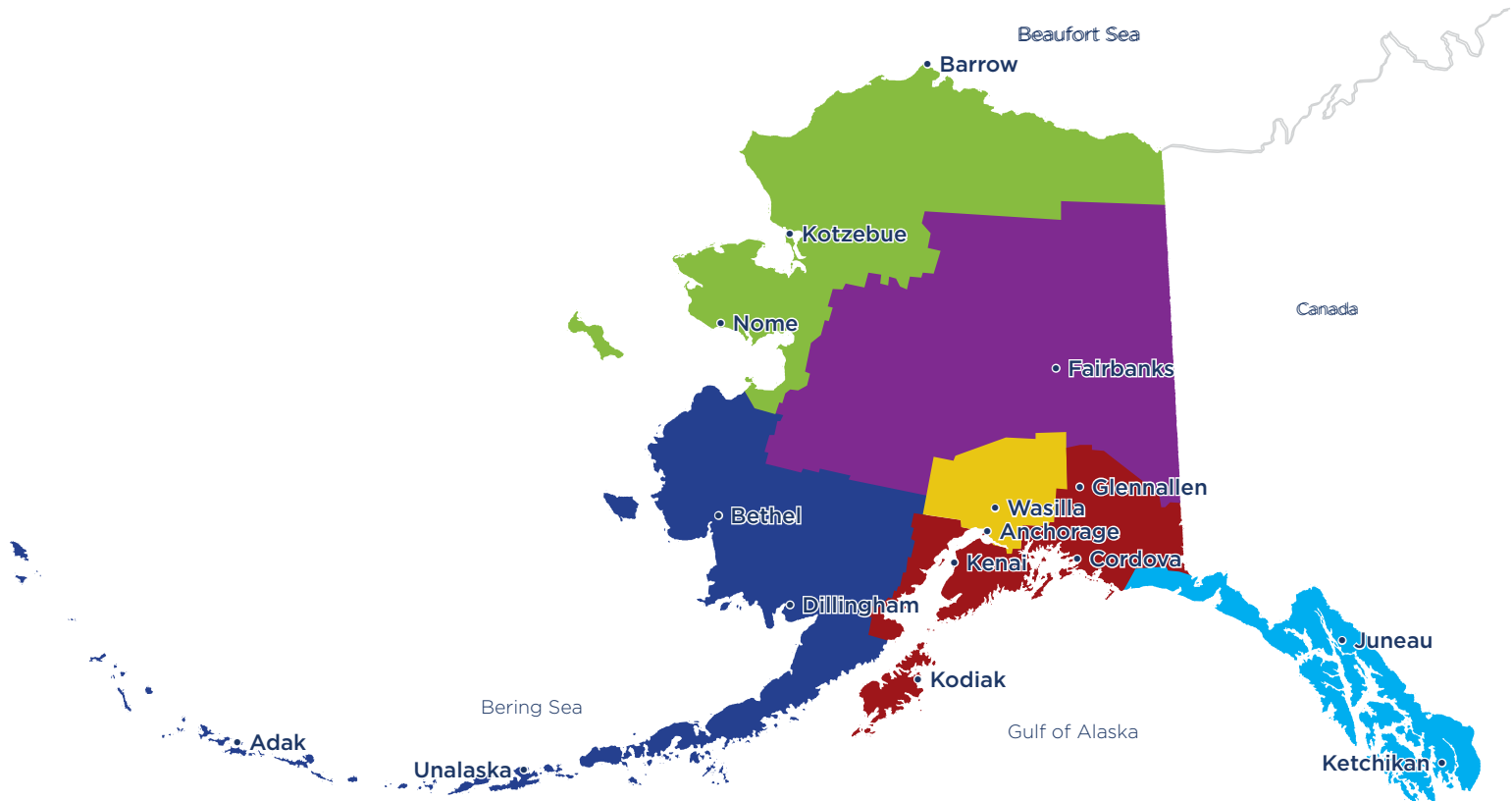
Northern:

In April, the City of Utqiagvik voted in favor of a marijuana sales tax. The ordinance, the only one on the ballot in the special election, called for an 8 percent retail sales tax on any marijuana or marijuana product sold within city limits. Preparing ahead of time was the main function of this ordinance and special election, as Utqiagvik has not yet even voted for local option of marijuana.

Shipping routes through the Bering Strait were approved in May by the International Maritime Organization, bringing standardized routes to the area as marine traffic in the Arctic increases. The routes include six two-way routes, and six precautionary areas, according to the U.S. Coast Guard. The routes were proposed by the U.S. and Russia, and run through the strait, between Alaska and

Russia's Chukotskiy Peninsula. The routes, which will go into effect December of this year, are aimed to divert mariners around shoals, reefs and islands. The routes are voluntary, but previous efforts to establish routes near isolated areas of Alaska have had a significant impact on maritime traffic. The impetus for setting the routes is safety: Response to an oil spill or other disaster in the area is difficult and the shipping lanes make maritime traffic for both shippers and nearby communities.

The U.S. Department of Interior's Fish and Wildlife Service denied an application for seismic work in ANWR that was submitted jointly by Arctic Slope Regional Corp., Kaktovik Inupiat Corp., and SAExploration, an oil services firm. The Fish and Wildlife Service called the submitted plan inadequate and said that it lacked "applicable details for proper agency review." The seismic work, to search for and map underground oil and gas reserves, would be the first step towards drilling in ANWR. Before drilling, oil and gas companies want updated three-dimensional seismic studies; existing studies from the 1980s were two-dimensional. The denial came despite pressure from the



Trump administration to approve exploration and drilling in the Refuge as soon as possible.

Interior:

Explore Fairbanks, the Fairbanks-area destination marketing and management group, signed a deal with East West Marketing Corp. to represent them in China. The deal was finalized during Governor Walker's Opportunity Alaska trade mission in May. The deal with the Chinese firm will help Explore Fairbanks make traditional business connections with tour operators, travel agents and the like in the country's top cities, but will also give the Alaska organization a presence on Chinese social media platforms such as WeChat and Sina Weibo, the Chinese version of Twitter. Explore Fairbanks officials said they hope partnering with East West Marketing can help raise awareness among Chinese travelers that Fairbanks is the premier place on Earth to see the northern lights.



Anchorage/Mat-Su:

The grocery delivery service Instacart launched in Anchorage in May. The San-Francisco based company employs personal shoppers to purchase and deliver customers' groceries. The service started in Anchorage with delivery available from Carrs and Costco stores and added Petco in June. Instacart customers pay a \$5.99 delivery fee, a service fee based on the size of the order, and Instacart may also mark up prices from those charged by the stores. There are roughly 100 personal shoppers operating in Anchorage, but they are independent contractors and not employees.



Gulf Coast:

Three new vessels arrived in Valdez in April as part of the transition in terminal management from Crowley Marine Corp. to Edison Chouest. The vessels that are now stationed in Valdez include two tugs to escort tankers to and from the terminal and a 400-foot oil spill response barge. Edison Chouest plans to build a total of five tugs built for escorting tankers, four general purpose tugs, and four barges built for oil spill response, in addition to reassigning an already existing general purpose tug to the Valdez terminal.



Southeast:

Plans for a rare earth elements separation facility near Ketchikan advanced in May, when Ucore Rare Metals Inc. announced they had begun advanced engineering and design for its first Specialty Metals Complex (SMC). The facility will separate metals mined at Ucore's Bokan Mountain project, a mine located on Prince of Wales Island. The engineering and design for the project will be carried out in two phases: First, IBC Advanced Technologies Inc. will carry out the initial design, custom tailored to the specific feedstock from Bokan Mountain. After initial design work is finished, the project will be handed off for further engineering and construction. Ucore plans to submit the final plans to AIDEA for financing consideration.



Southwest:

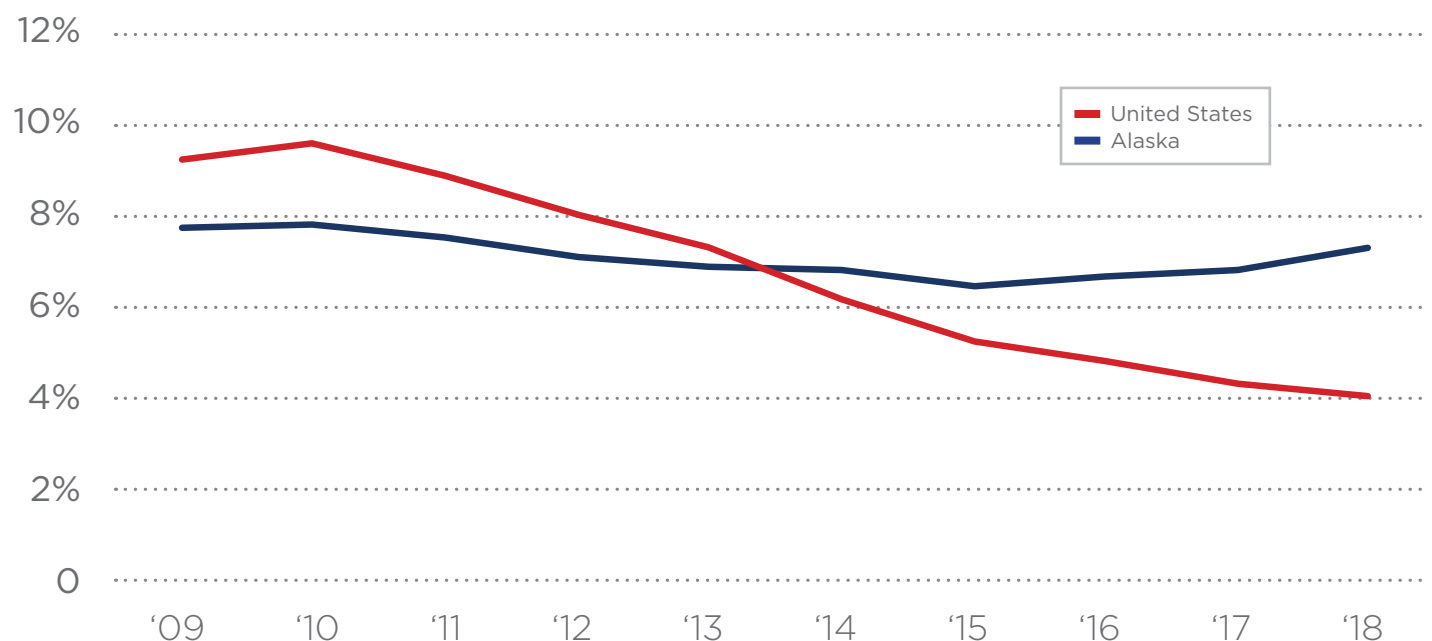
In May, Canadian mining company First Quantum Minerals pulled out of a proposed partnership arrangement to develop the controversial Pebble Mine. First Quantum Minerals had entered into a tentative agreement with project owner Northern Dynasty Minerals in December 2017, but could not reach a final agreement. A statement by Northern Dynasty announcing the termination of the partnership said they were "unable to reach agreement on the option and partnership transaction contemplated in the December 15, 2017 framework agreement."

TOTAL WORKFORCE AND UNEMPLOYMENT RATE

Alaska continues to have the highest unemployment rate in the country. The seasonally adjusted unemployment rate for the state was 7.2 percent in the second quarter of 2018, nearly 85 percent higher than the national rate of 3.9 percent for the same time period. The national unemployment rate has been falling for years, although some of the decline is due to declining labor force participation rather than an increase in hiring. In Alaska, the recent closures of Sam's Club, Sears, and Toys R Us stores have hindered recovery from the current recession.

Alaska and U.S. Unemployment

(Annual seasonally adjusted unemployment rates)

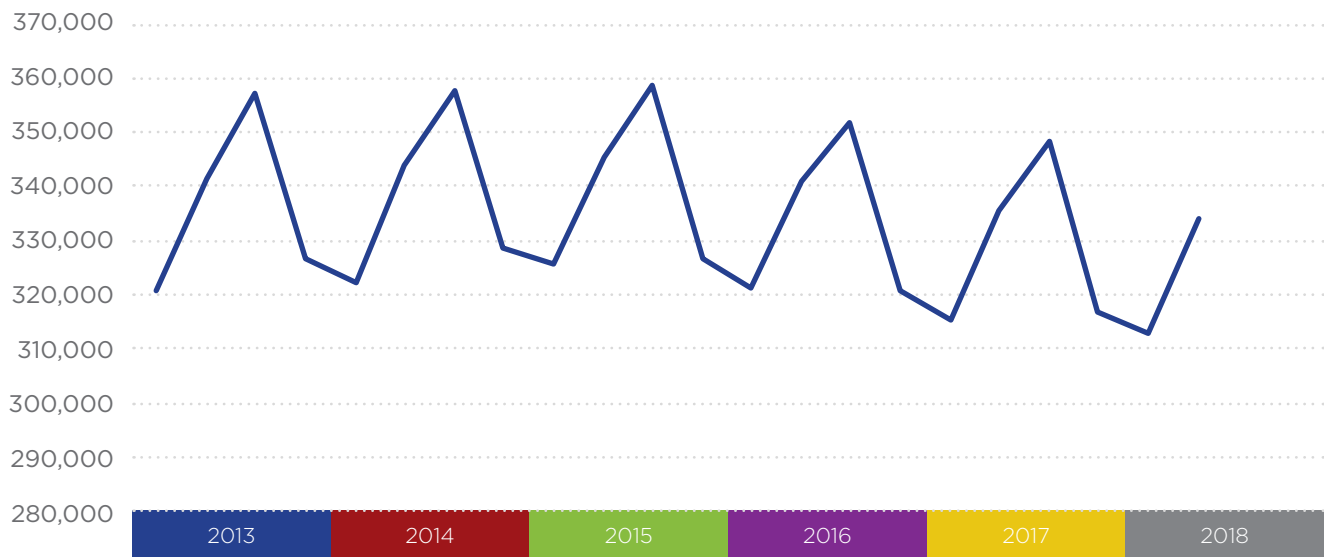


Source: Alaska Department of Labor and Workforce Development and U.S. Bureau of Labor Statistics. Data through Q2 of 2018.

Average non-farm employment in Alaska was 333,933 in the second quarter of 2018. This number is not seasonally adjusted, and the data show the seasonal fluctuations. On average, employment rises for the first three quarters of the year and dips again in the last quarter of the year. The second quarter of 2018 saw 21,233 more jobs than the first quarter.

Average Monthly Employment

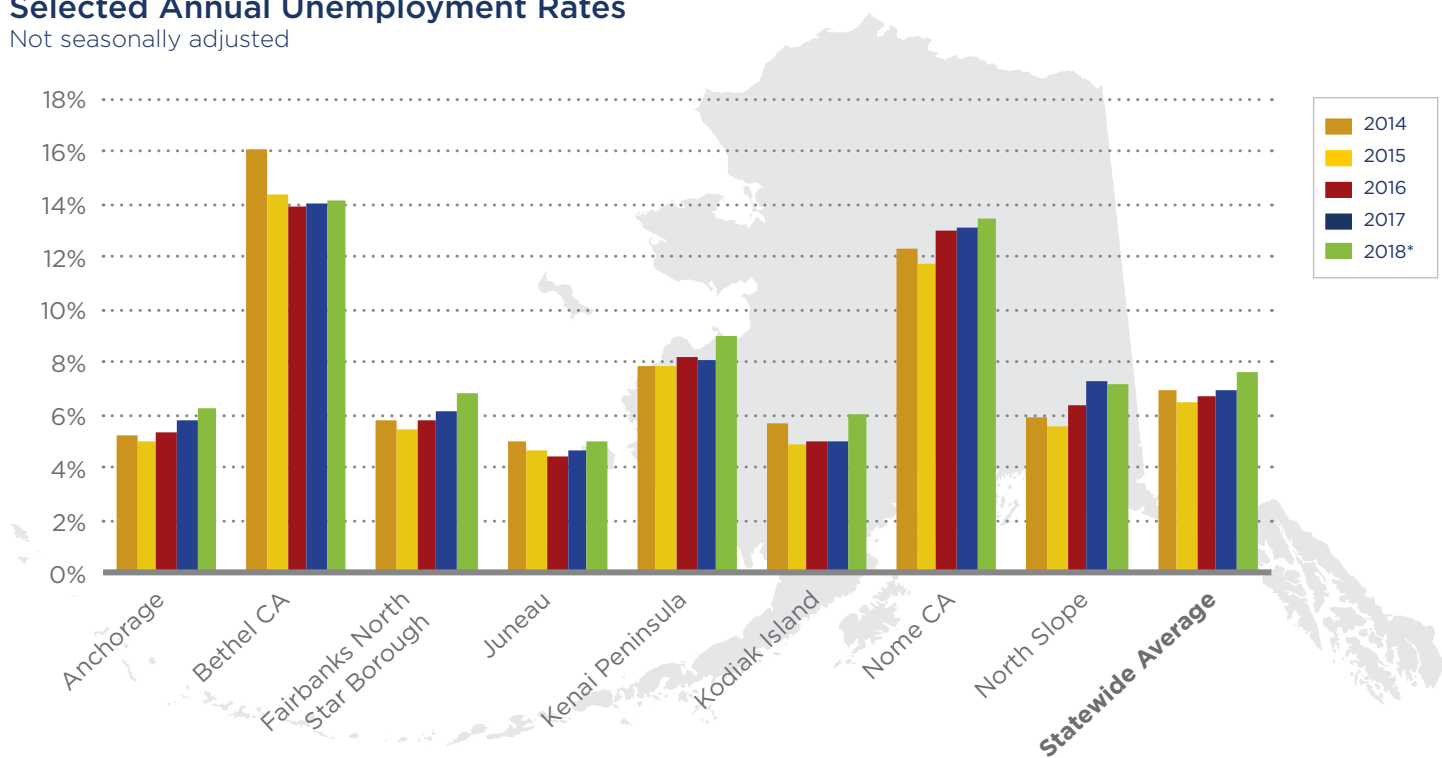
(Not seasonally adjusted)



Regionally, unemployment rates vary across the state. In the more populated areas of Juneau, Anchorage, and Fairbanks, unemployment rates are below the statewide average. In rural areas they can be much higher, sometimes up to triple the statewide average.

Selected Annual Unemployment Rates

Not seasonally adjusted



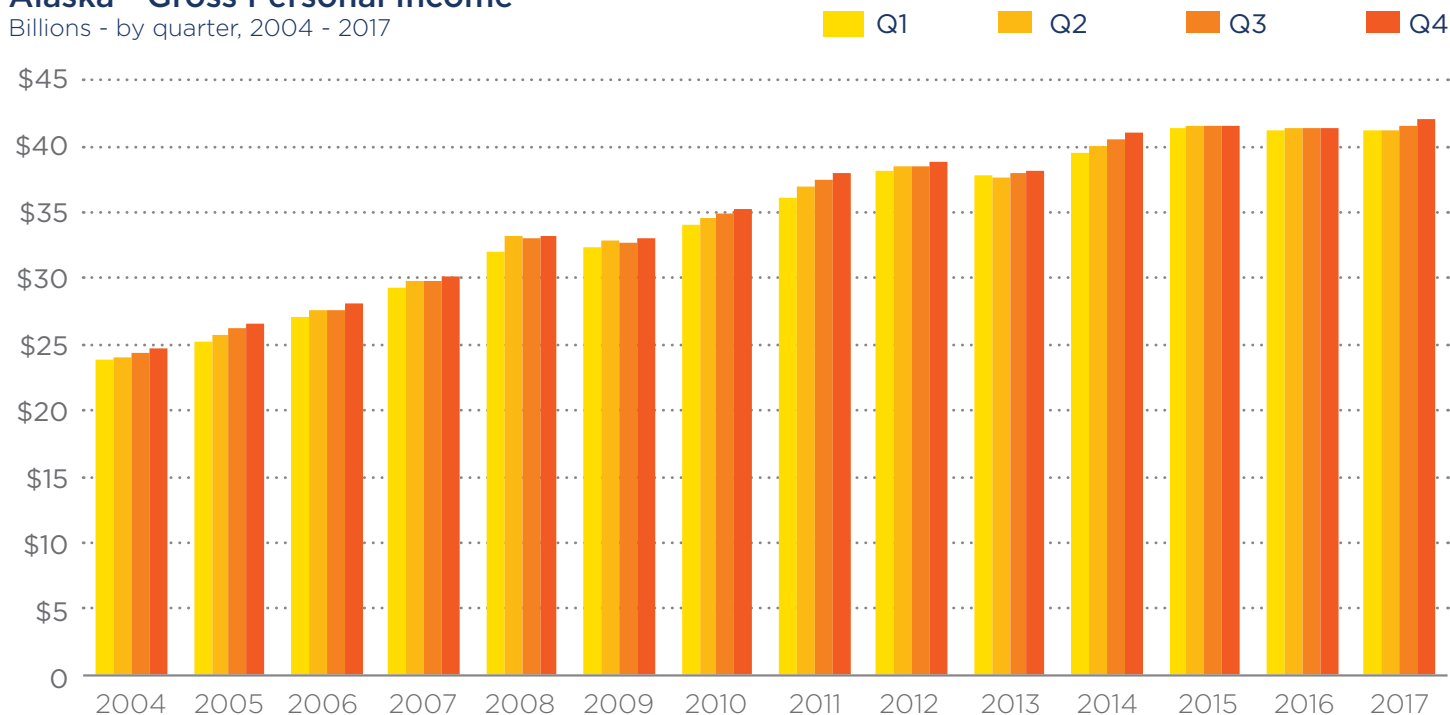
Source: Alaska Department of Labor and Workforce Development. * 2018 Data through Q2

PERSONAL INCOME

Personal income in Alaska has remained relatively steady over the last three years, after almost a decade of growth. Statewide gross personal income was \$42.1 billion in the fourth quarter of 2017, just 2 percent higher than the same period in 2016. Alaska's per capita income of \$56,878 in the fourth quarter of 2017 ranked 11th of the 50 states and the District of Columbia, but in the fourth quarter of 2016, Alaska had the 8th highest per capita income. Personal income data for 2018 is not yet available.

Alaska - Gross Personal Income*

Billions - by quarter, 2004 - 2017



Source: U.S. Bureau of Economic Analysis. *The sum of wages and salaries, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance plus the adjustment for residence.

COST OF LIVING IN ALASKA

A cost of living index measures the relative cost of living over time across geographical regions by taking into account differences in the price of goods and services needed to maintain a basic standard of living, such as the cost of food, housing, energy and basic goods.

The Division of Economic Development works with partners throughout the state to produce a quarterly survey of prices for four staples in several communities: 1 dozen eggs, 1 gallon of milk, 1 loaf of white bread, and 1 gallon of unleaded gasoline. Prices were available for eight of the ten historical price basket communities, with only Barrow and Nome missing. For the eight communities surveyed in June 2018, the average price basket was \$14.28. This is about \$2.00 higher than the first quarter average, but this price basket includes two rural communities that were not in the first quarter survey.

Alaska Community Price Comparison

(June 2018 - Dollars)

	1 DOZ. EGGS	1 GALLON MILK	1 BREAD LOAF	1 GALLON GAS	Total
Anchorage	\$2.59	\$3.79	\$2.00	\$3.13	\$11.51
Juneau	\$2.69	\$3.99	\$2.00	\$3.56	\$12.24
Fairbanks	\$2.69	\$2.99	\$4.49	\$3.41	\$13.58
Kenai	\$2.38	\$3.78	\$2.08	\$3.34	\$11.58
Kodiak	\$2.89	\$4.19	\$2.39	\$3.94	\$13.41
Valdez	\$2.89	\$3.99	\$2.49	\$3.69	\$13.06
Glenallen	\$4.50	\$5.95	\$3.95	\$3.78	\$18.18
Bethel	\$4.99	\$7.99	\$2.99	\$4.74	\$20.71
Average	\$3.20	\$4.58	\$2.80	\$3.70	\$14.28

Sources: Regional Partners

Gasoline Prices

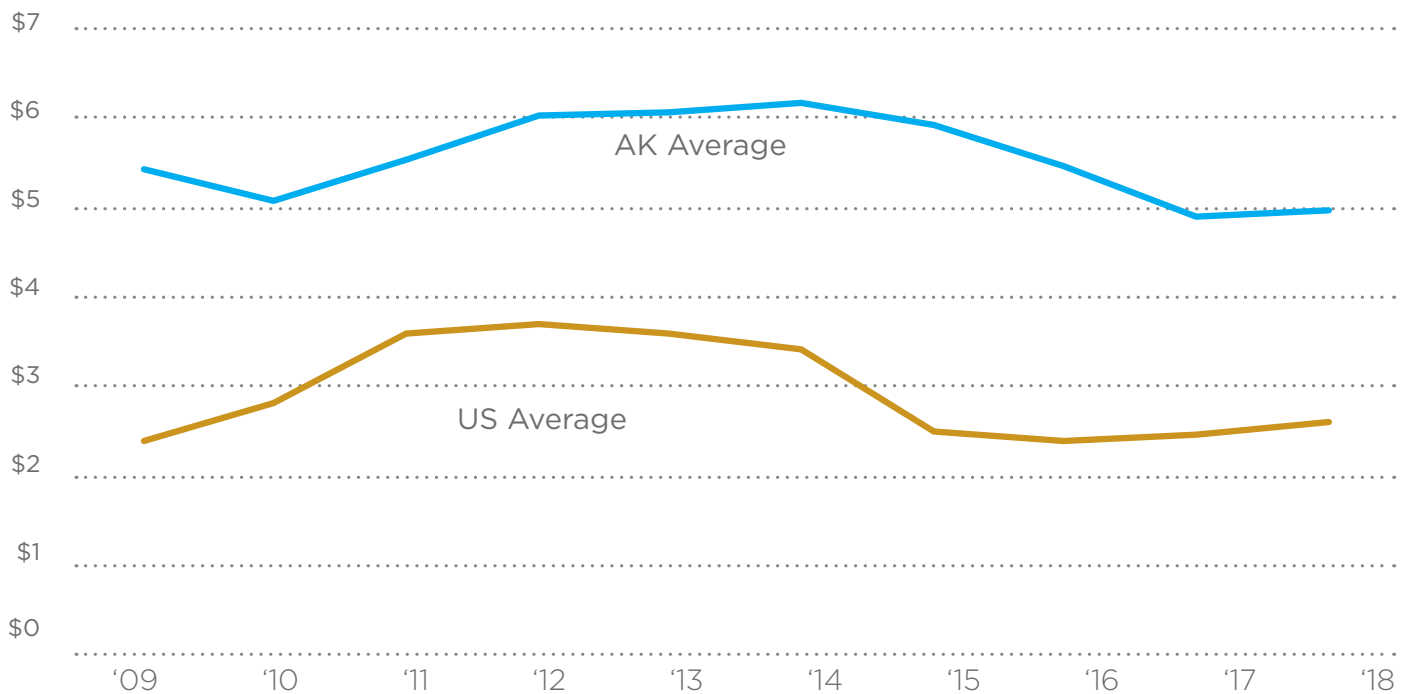


The Alaska Division of Community and Regional Affairs (DCRA) conducts a biannual survey of energy (heating fuel and gasoline) prices around the state. Mid-year data for gasoline prices will be available in the third quarter. The January 2018 survey compares gasoline prices for seven regions around Alaska. Southeast Alaska has the lowest average gasoline price at \$3.79 per gallon, while the Western region had the highest price at \$5.61 per gallon. The statewide average increased from \$4.79 in January to \$4.85 in July, driven by a \$.27 increase in the Southeast region and \$.41 increase in the Southwest region. The Gulf Coast, Northern, Northwest, and Western regions all saw gasoline prices fall between January and July of 2017.

In Alaska, another important gauge of the cost of living is the price of gasoline. The per gallon price of gasoline over time is illustrative of the general trend of prices in Alaska versus the U.S. average. In the first quarter of 2018, the national average price of gasoline (\$2.62/gallon) was \$2.33/gallon lower than the Alaska average of \$4.95/gallon. However, the state average is an average of dozens of communities across the state, some with prices as high as \$10.00/gallon and some as low as \$2.78/gallon.

Gasoline Price Average

(Current dollars - price per gallon through Q1 of 2018)

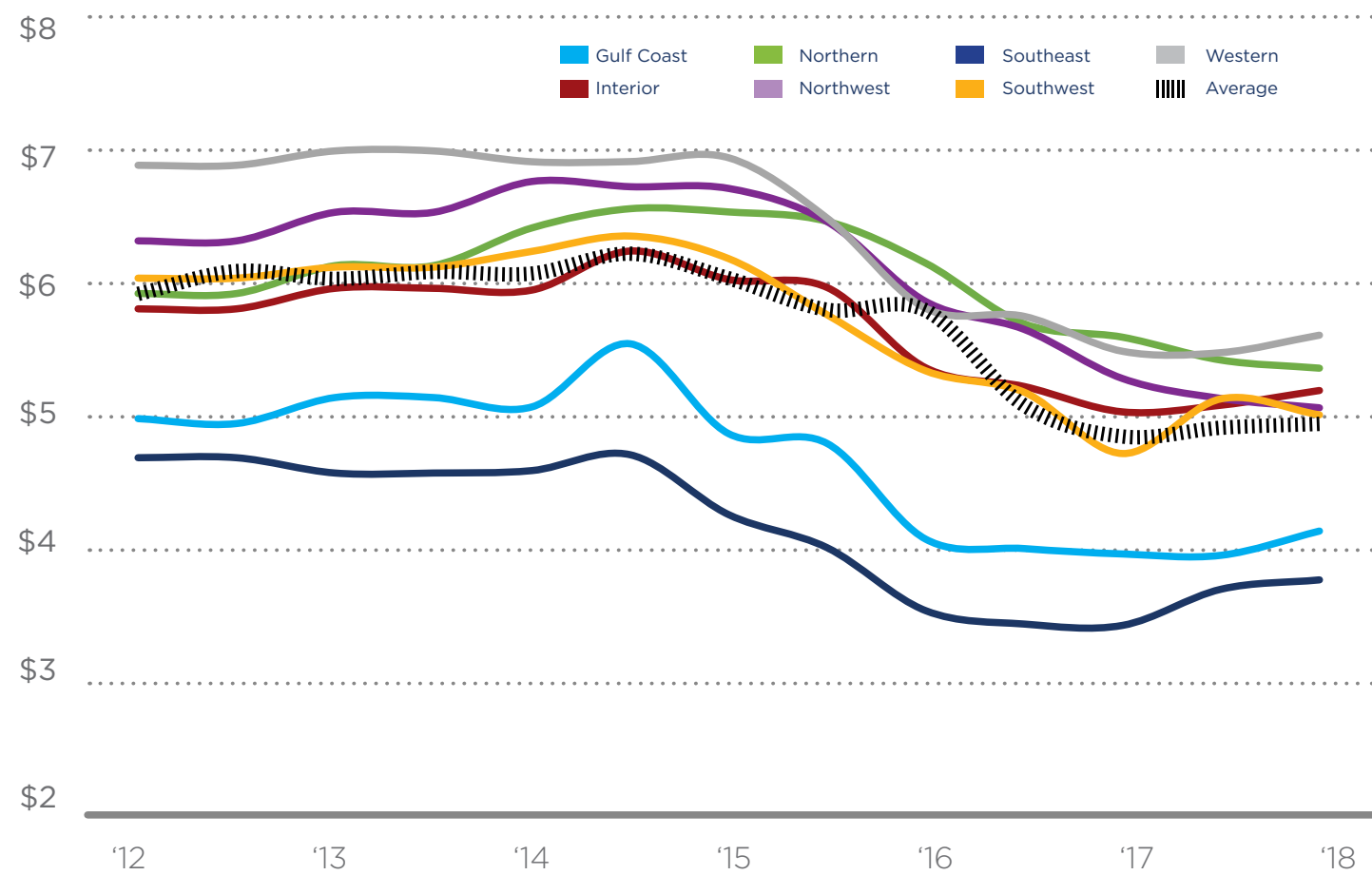


Sources: U.S. Bureau of Labor Statistics and Alaska Division of Community & Regional Affairs

The Alaska Division of Community and Regional Affairs (DCRA) conducts a biannual survey of energy (heating fuel and gasoline) prices around the state. The latest survey, published in July 2017, compares gasoline prices for seven regions around Alaska. Southeast Alaska has the lowest average gasoline price at \$3.72 per gallon, while the Western region had the highest price at \$5.48 per gallon. The statewide average increased from \$4.79 in January to \$4.85 in July, driven by a \$.27 increase in the Southeast region and \$.41 increase in the Southwest region. The Gulf Coast, Northern, Northwest, and Western regions all saw gasoline prices fall between January and July of 2017.

Alaska Gasoline Price by Region

(Current dollars - price per gallon)



Source: Alaska Division of Community and Regional Affairs.

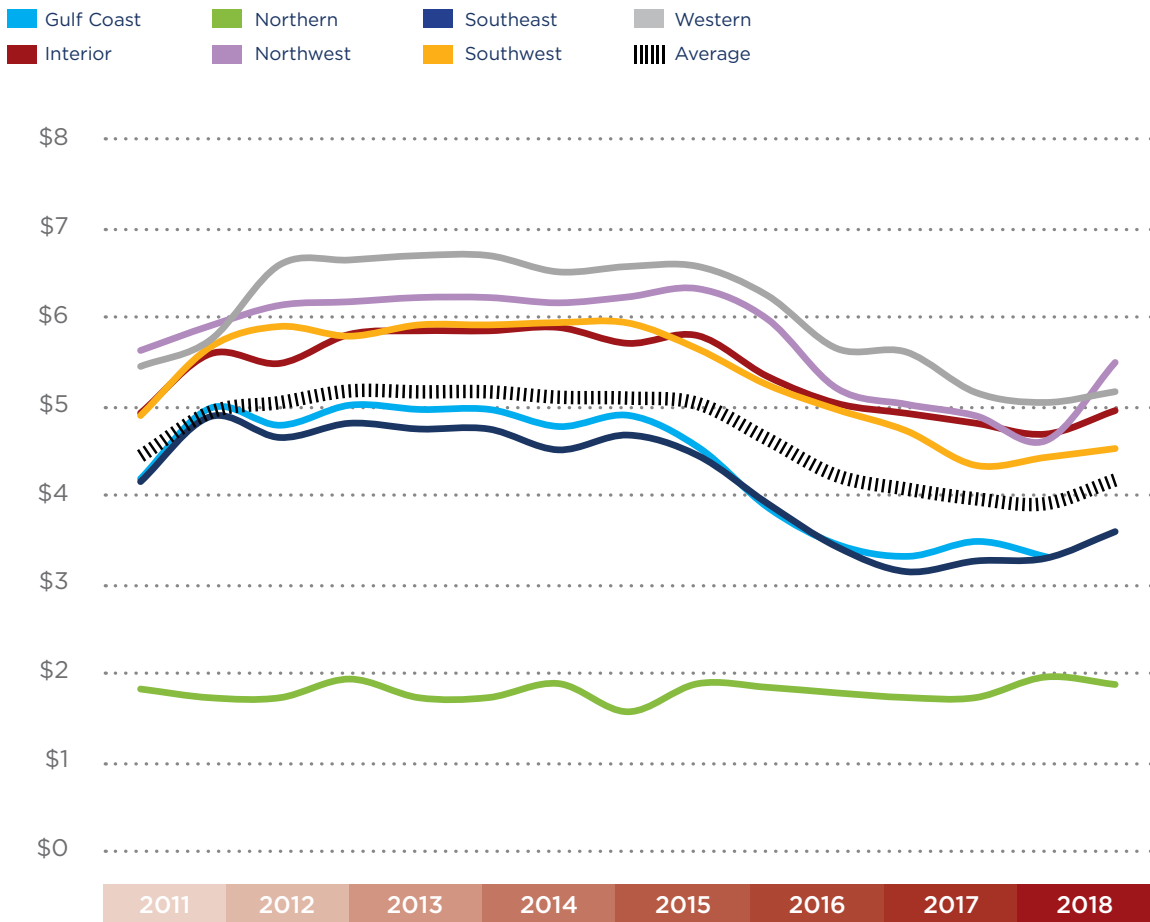
Energy



Mid-year data for heating fuel prices will be available in the third quarter. DCRA's January 2018 survey showed Alaska communities in the Northern Region had the highest average heating fuel retail price at \$5.52 per gallon, while the Northern Region reported the lowest average retail price at \$1.88 per gallon (Note: the North Slope Borough subsidizes residential heating fuel costs in five of its seven communities, reducing their average prices substantially). Excluding the Northern Region, the Southeast Alaska Region tends to experience the lowest heating fuel prices. Average heating fuel costs fell in 2017 to under \$4.00 per gallon, but the statewide average in January 2018 rose to \$4.18.

Average Alaskan Heating Fuel Cost

(By Region, Current Dollars - Price Per Gallon)



Source: Alaska Division of Community and Regional Affairs

Cost of Living Index

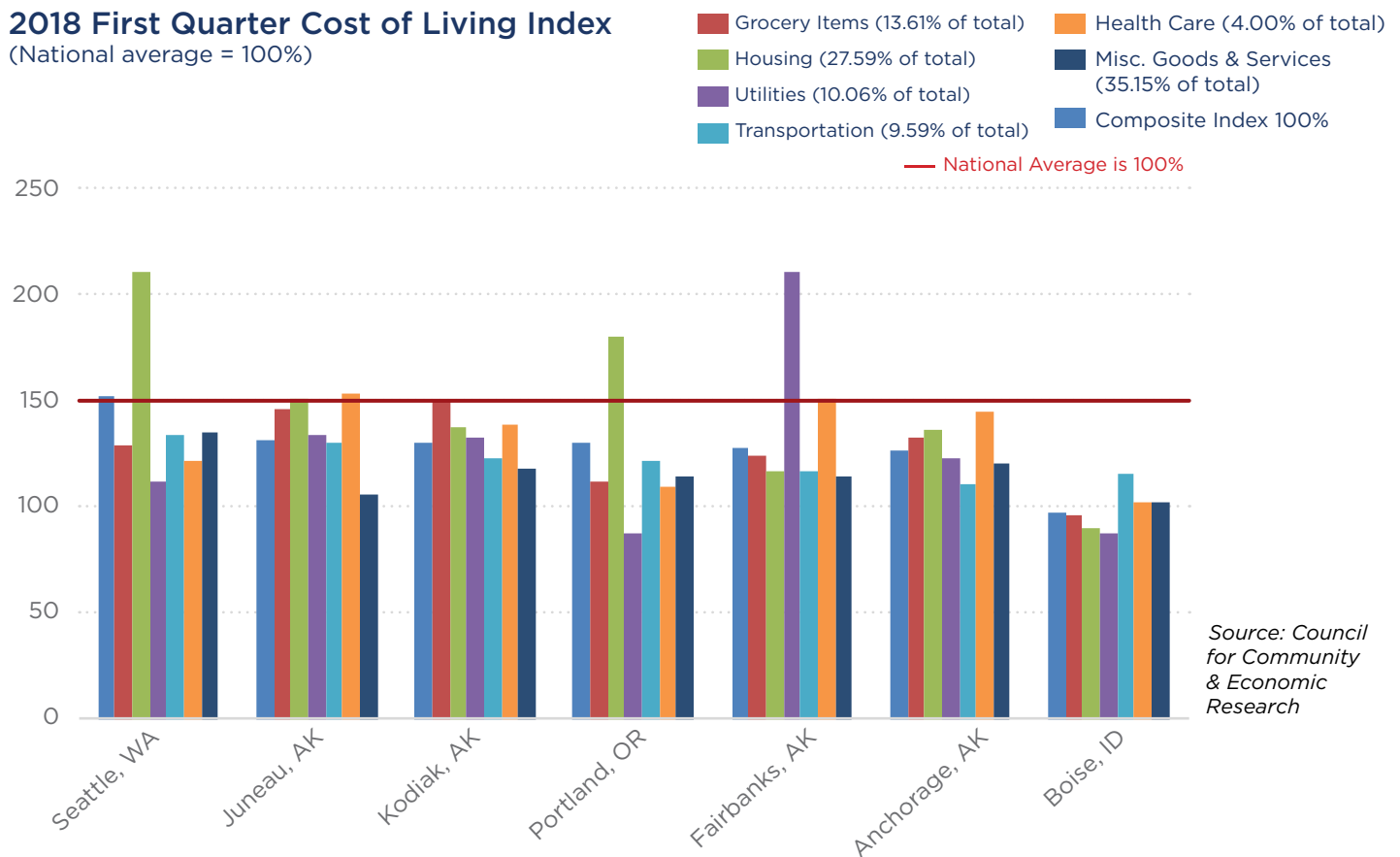
The cost of living in Alaska communities can be compared to show how expensive it is to live and work in Alaska communities versus communities in other states. The Council for Community and Economic Research publishes a quarterly and annual Cost of Living Index (COLI), which provides a measure to compare cost of living differences among urban areas nationwide (communities in all 50 U.S. states, the District of Columbia, and Puerto Rico). The COLI provides a useful way to compare the cost of living differences between urban and rural areas weighted by different categories of consumer expenditures for upper middle class households.

In the second quarter of 2018, Harlingen, Texas beat out nearby city McAllen, Texas for the lowest cost of living in the country. The composite cost of living index for Harlingen was just 76 percent of the national average. Once again, the most expensive city in the country was Manhattan, New York. The composite index for Manhattan this quarter was 238 percent of the national average, driven by expensive housing costs.

The Alaska cities included in the COLI are Juneau, Fairbanks, Kodiak, and Anchorage. Of the 259 cities surveyed in the second quarter, Juneau was the most expensive Alaska city, ranking 18th. The composite index for Juneau was 130.8, meaning the cost of living in the capital city is 30.8 percent higher than the national average. Kodiak was 19th (composite index of 130.3), Fairbanks was 21st (composite index of 127.2) and Anchorage was 22nd (126.6). In the second quarter COLI, Seattle was once again the highest Pacific Northwest City in the survey, with a composite index of 152.2 making it the seventh most expensive city in the country. Portland, Oregon was in the middle of the four Alaska cities included, ranking 20th with a composite index of 130.1. Smaller Pacific Northwest cities had much lower costs of living, with Olympia at 53rd with an index of 105.0, Boise at 91st with an index of 97.3, and Bozeman, Montana at 63rd with an index of 101.8.

2018 First Quarter Cost of Living Index

(National average = 100%)



Prices in Alaska are higher than most other states. According to the COLI, in the second quarter of 2018, Alaska again had the highest health care costs in the nation, the second highest cost of groceries and transportation, and the third highest cost for utilities. It is important to note that this is based on data from only four Alaska communities - Anchorage, Fairbanks, Juneau, and Kodiak. Prices in most of rural Alaska are significantly higher which, if included, could increase Alaska's rank.

Top 10 Most and Least Expensive States, 2018 2nd Quarter

(Average = 100%)

MOST EXPENSIVE STATES		% ABOVE AVG.	LEAST EXPENSIVE STATES		% BELOW AVG.
1	Hawaii	85.5%	42	Indiana	9.6%
2	District of Columbia	56.6%	43	Wyoming	9.9%
3	California	45.3%	44	Alabama	10%
4	New York	33.6%	45	Missouri	10.4%
5	Massachusetts	32.9%	46	Tennessee	10.6%
6	Connecticut	32.4%	47	Kansas	10.8%
7	Oregon	30.1%	48	Michigan	11.1%
8	Maryland	28.8%	49	Oklahoma	11.2%
9	Alaska	28.7%	50	Arkansas	12.6%
10	New Jersey	22.2%	51	Mississippi	14.9%

Source: Council for Community & Economic Research

ALASKA CONFIDENCE INDEX AND COMPONENTS, QUARTERLY FIGURES

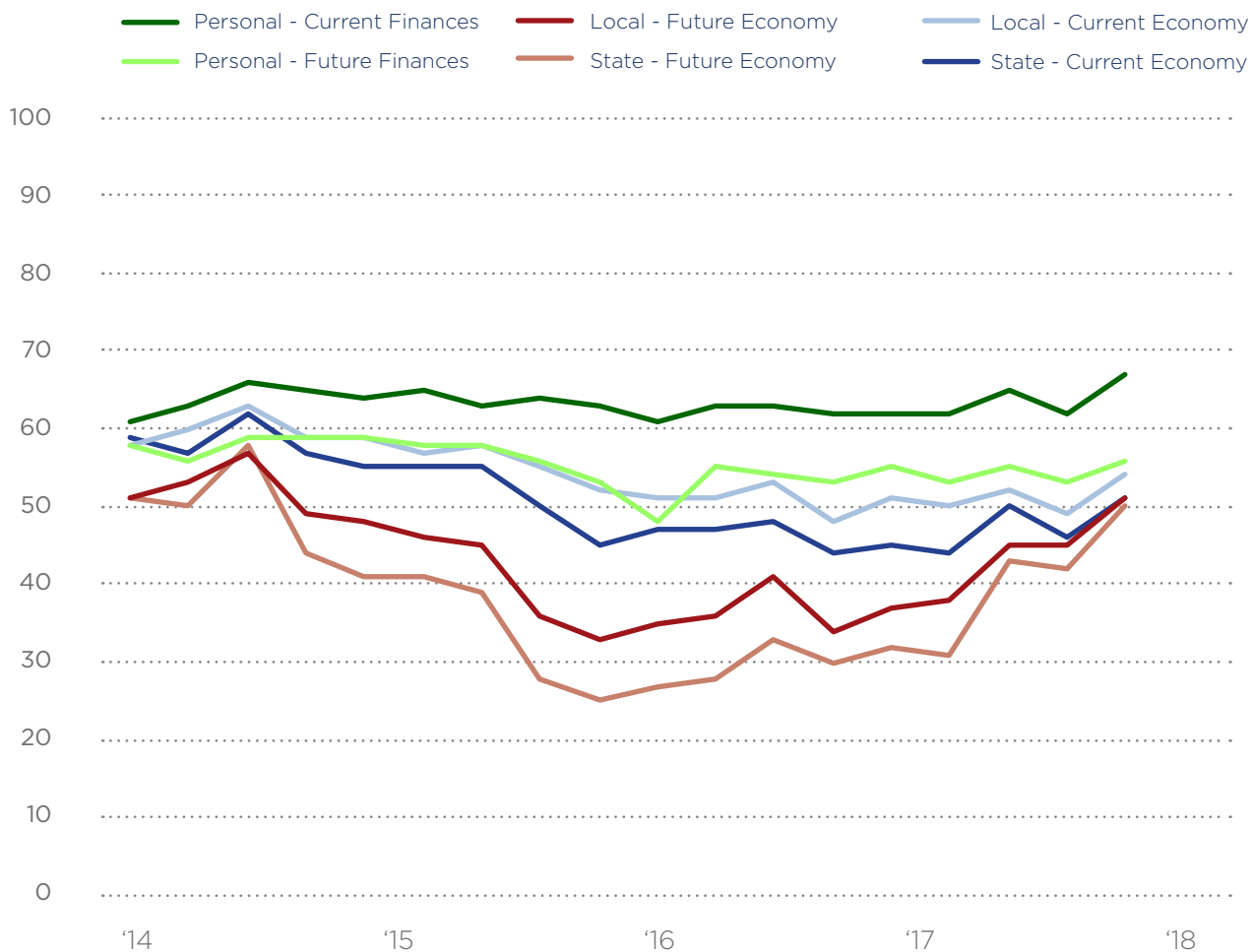
The Alaska Confidence Index (ACI) is a measure of Alaska households' confidence in the health of the state and local economies, their personal financial situation, and their expectations for the future. ACI is expressed using a value of 0 to 100. Values above 50 represent relative confidence in the economy, while values below 50 indicate lack of confidence. The ACI is comprised of six individual components: current assessment of, and future expectations for, the state economy confidence, local economy confidence, and personal financial confidence.

Alaskans' confidence in their state and local economies, as well as their personal financial outlooks, jumped in the second quarter of 2018. The ACI rose to 57 for the second quarter, a reading five points higher than the previous quarter's index of 52. ACI readings were up across the board, with respondents reporting stronger confidence in all six measures, including current and future expectations of state and local economies, as well as personal financial outlooks.

State Economy Confidence, the most direct measure of respondents' feelings about the current state economy, increased from 46 to 51, breaking above the 50 mark for just the second time since the third quarter of 2015. Local Economy Confidence re-emerged into optimistic territory, from 49 to 54. Future expectations for Local Economic Confidence jumped from 45 to 51, the highest level since the fourth quarter of 2015. Personal Financial Confidence has always been the strongest and least volatile component of the ACI, because personal and family decisions are within respondents' control. The current reading of this measure jumped to 67, a level not seen since the inaugural value of the ACI in the first quarter of 2010, when the current Personal Financial Confidence was also at 67.

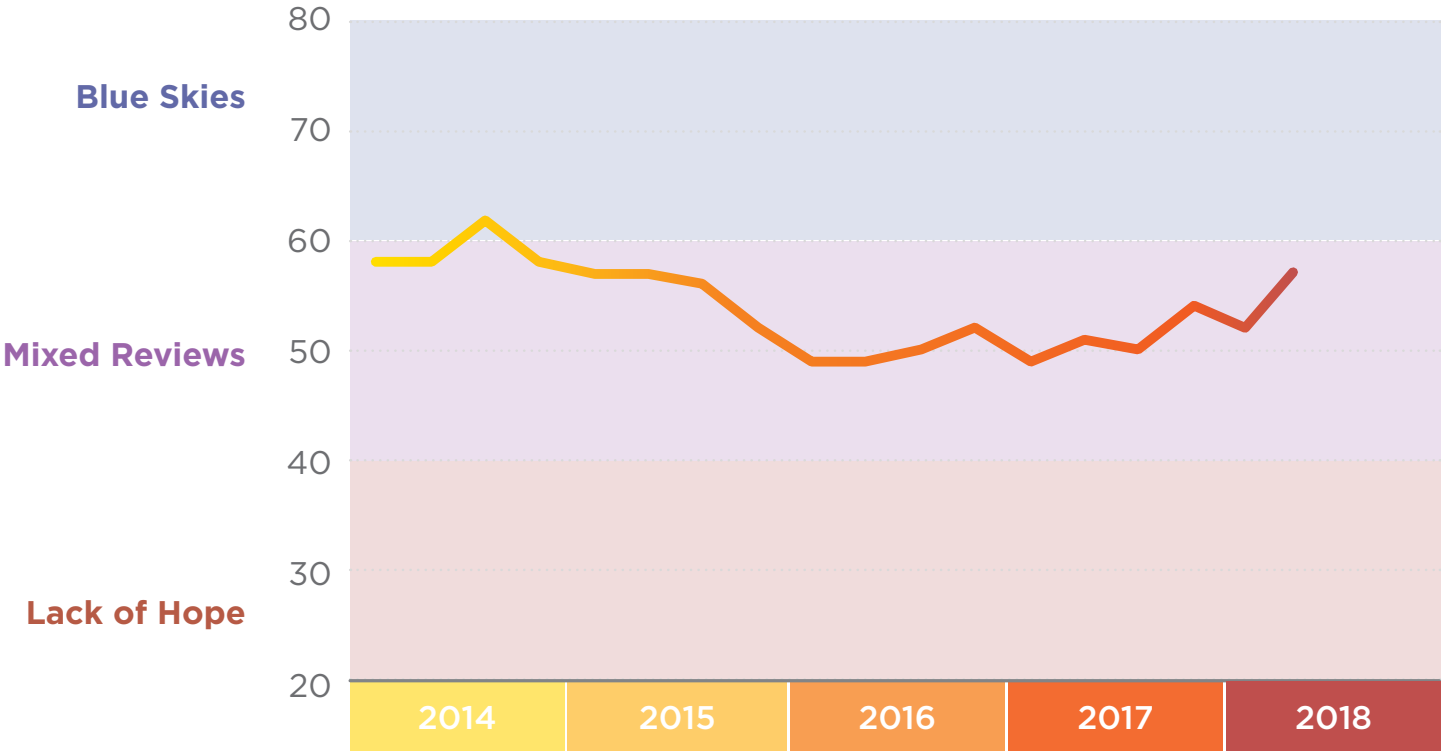
Alaska Confidence Index, Quarterly Figures

(Confidence rating on scale of 0-100)



Source: Northern Economics

Overall Alaska Confidence Index
(Confidence rating on scale of 0-100)



Source: Northern Economics

ALASKA'S ECONOMIC REPORT
TO THE
AIDEA BOARD OF DIRECTORS

SECOND QUARTER, 2018

